

RESOLUTION NO. 83-47

RESOLUTION AUTHORIZING LEGISLATIVE
APPROPRIATION TO VARIOUS RESERVES

BE IT RESOLVED that the City Council of the City of Lodi does hereby direct that appropriations be made to the following reasonable and proper accounts:

Electric Utility Fund Operating Reserve	\$2,554,090.00
Sewer Utility Fund Operating Reserve	\$ 104,550.00
Water Utility Fund Operating Reserve	\$ 110,065.00
General Fund Operating Reserve	\$ 176,440.00
PL and PD Reserve	\$ 347,830.00

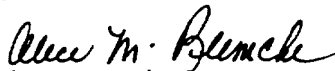
Dated: June 1, 1983

I hereby certify that Resolution No. 83-47 was passed and adopted by the City Council of the City of Lodi in a regular meeting held June 1, 1983 by the following vote:

Ayes: Council Members - Pinkerton, Snider, Murphy,
and Olson (Mayor)

Noes: Council Members - None

Absent: Council Members - Reid


Alice M. Reinche
City Clerk

Attachment to
Res. 83-47

NORTHERN CALIFORNIA POWER AGENCY

BE IT RESOLVED BY THE COMMISISON OF THE NORTHERN CALIFORNIA POWER AGENCY,
as follows:

Section 1. The form of Interconnection Agreement attached hereto is hereby approved, and the General Manager is authorized to execute the same on behalf of this Agency.

Section 2. The Secretary of this Agency is directed to send a copy of this resolution to each of the members of this Agency, except the cities of Redding and Santa Clara, with the request that each such member authorize and execute such agreement on or before July 11, 1983.

Section 3. The cities of Redding and Santa Clara have determined not to sign the attached agreement, and they will therefore not be bound by it.

	<u>Vote</u>	<u>Abstained</u>	<u>Absent</u>
City of - Alameda	<u>Agree</u>	<u> </u>	<u> </u>
Biggs	<u> </u>	<u> </u>	<u>X</u>
Gridley	<u>Agree</u>	<u> </u>	<u> </u>
Healdsburg	<u>Agree</u>	<u> </u>	<u> </u>
Lodi	<u>Agree</u>	<u> </u>	<u> </u>
Lompoc	<u>Agree</u>	<u> </u>	<u> </u>
Palo Alto	<u>Agree</u>	<u> </u>	<u> </u>
Redding	<u> </u>	<u> </u>	<u>X</u>
Roseville	<u>Agree</u>	<u> </u>	<u> </u>
Santa Clara	<u> </u>	<u> </u>	<u>X</u>
Ukiah	<u> </u>	<u> </u>	<u>X</u>
Plumas-Sierra	<u>Agree</u>	<u> </u>	<u> </u>

ADOPTED AND APPROVED this 9th day of June, 1983.

INTERCONNECTION AGREEMENT
BETWEEN
PACIFIC GAS AND ELECTRIC COMPANY
AND
NORTHERN CALIFORNIA POWER AGENCY,
CITY OF ALAMEDA, CITY OF BIGGS,
CITY OF GRIDLEY, CITY OF HEALDSBURG,
CITY OF LODI, CITY OF LOMPOC,
CITY OF PALO ALTO, CITY OF ROSEVILLE
CITY OF UKIAH
AND PLUMAS SIERRA RURAL ELECTRIC COOPERATIVE

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INTERCONNECTION AGREEMENT
BETWEEN
PACIFIC GAS AND ELECTRIC COMPANY
AND
NORTHERN CALIFORNIA POWER AGENCY,
CITY OF ALAMEDA, CITY OF BIGGS,
CITY OF GRIDLEY, CITY OF HEALDSBURG,
CITY OF LODI, CITY OF LOMPOC,
CITY OF PALO ALTO, CITY OF ROSEVILLE
CITY OF UKIAH
AND PLUMAS SIERRA ELECTRIC COOPERATIVE

This Agreement, is made as of this ____ day of _____,
1983, by and between PACIFIC GAS AND ELECTRIC COMPANY,
hereinafter referred to as "Pacific", and the NORTHERN
CALIFORNIA POWER AGENCY, hereinafter referred to as "NCPA",
and City of Alameda, City of Biggs, City of Gridley, City of
Healdsburg, City of Lodi, City of Lompoc, City of Palo Alto,
City of Roseville, City of Ukiah and Plumas Sierra Rural
Electric Cooperative, collectively referred to as "NCPA
Member Customers", any or all of which is or are hereinafter
referred to individually as "Party" or collectively as
"Parties".

WITNESSETH:
RECITALS

WHEREAS: Pacific, a corporation organized under
California law, is engaged, among other things, in the

1 business of generating, transmitting, and distributing
2 electric capacity and energy in northern and central
3 California;

4 WHEREAS: NCPA is a public agency created, for the
5 primary purpose of generating and transmitting electric
6 capacity and energy, by a joint powers agreement dated
7 July 19, 1968, as amended, entered into pursuant to
8 Chapter 5, Division 7, Title 1 of the California Government
9 Code commencing with Section 6500 by the Cities of Alameda,
10 Biggs, Gridley, Healdsburg, Lodi, Lompoc, Palo Alto,
11 Redding, Roseville, Santa Clara, and Ukiah, and by the
12 Plumas-Sierra Rural Electric Cooperative, an associate
13 member of NCPA;

14 WHEREAS: NCPA Member Customers are all municipal or
15 non-profit corporations, organized under California law,
16 which engage in the generation and/or distribution and sale
17 of electric capacity and energy in their respective service
18 areas in northern and central California, and are members or
19 associates of NCPA;

20 WHEREAS: The Western Area Power Administration of the
21 United States Department of Energy, hereinafter referred to
22 as "Western", and Pacific at present supply either
23 separately or collectively the Firm Power electrical load
24 requirements of NCPA Member Customers;

25 WHEREAS: NCPA has constructed geothermal generating
26 resources at The Geysers;

27 WHEREAS: NCPA states that it and NCPA Member Customers
28 intend to continue NCPA's power supply program by

1 constructing additional resources or acquiring, by purchase,
2 exchange or otherwise, resources to meet all or a
3 substantial portion of the electric capacity and energy
4 requirements of NCPA Member Customers;

5 WHEREAS: NCPA, NCPA Member Customers and Pacific wish
6 to establish contractual arrangements for the
7 interconnection of these resources and for transmission from
8 them;

9 WHEREAS: NCPA wishes to purchase and Pacific is
10 willing to sell capacity and energy to meet all or a portion
11 of the remainder of NCPA Member Customers' load requirements
12 which is not supplied by resources NCPA or NCPA Member
13 Customers develop or otherwise acquire;

14 WHEREAS: NCPA states that it intends to enter into
15 power supply agreements with NCPA Member Customers to supply
16 capacity and energy;

17 WHEREAS: NCPA and NCPA Member Customers represent and
18 warrant that NCPA has been authorized by its Commissioners
19 and NCPA Member Customers to enter into this Agreement in
20 substitution for the power supply contracts they may have
21 with Pacific;

22 WHEREAS: NCPA Member Customers represent and warrant
23 that each has been authorized by its respective City Council
24 or Board of Directors to enter into this Agreement; and

25 NOW, THEREFORE in consideration of the mutual covenants
26 herein set forth, the Parties agree as follows:

27 1 DEFINITIONS - Whenever used in this Agreement,
28 Appendices and Exhibits hereto, these terms shall have the

1 following meanings as applicable. The singular of a term
2 shall include the plural and the plural shall include the
3 singular.

4 1.1 "Capacity Rating" - The gross output an NCPA
5 Project is capable of producing in kilowatts, less station
6 use and less step-up transformation losses to the high
7 voltage bus at the generator site, as determined in
8 accordance with Section 2.4.

9 1.2 "Capacity Reserve" - Installed or purchased
10 capacity dedicated to be available to NCPA, in amount and
11 quality as provided in Section 3.1.

12 1.3 "CEC" - The California Energy Resources Conserva-
13 tion and Development Commission or its regulatory successor.

14 1.4 "Control Area" - All or part of a party's
15 electrical generation resources, transmission facilities,
16 and distribution facilities, or a combination thereof with
17 those of Third Parties, to which a common automatic
18 generation control scheme is applied.

19 1.5 "Costs" - All capital expenditures, expenses of
20 operation, maintenance, administrative and general, taxes,
21 and depreciation as determined in accordance with the FERC
22 Uniform System of Accounts as such may be amended or
23 superseded from time to time, and costs of capital. The
24 appropriate components of costs, as defined herein, shall be
25 applied for the particular service or transaction performed.
26 Pacific's cost of capital rate except as it applies to rates
27 in Article 8 and the rates set forth in Appendix A of this
28 Agreement shall be equal to the rate of return on investment

1 base as most recently allowed by the California Public
2 Utilities Commission.

3 1.6 "Committee" - The Engineering and Operating Com-
4 mittee established pursuant to Section 9.13.

5 1.7 "Delivery Points" - Those Interconnections on
6 Pacific's system, as shown in Exhibit A-4 of Appendix A,
7 together with any changes to such points or addition of
8 other points as made in accordance with this Agreement and
9 Appendices.

10 1.8 "Demand" - Maximum average power in kilowatts as
11 determined in accordance with Appendix A.

12 1.9 "Effective Date" - The date on which this
13 Agreement shall become effective pursuant to Section 9.3.

14 1.10 "Emergency Power" - Electric capacity and
15 associated energy supplied by a Party as described in
16 Sections 4.2 and 5.4.

17 1.11 "FERC" - The Federal Energy Regulatory Commission
18 or its regulatory successor.

19 1.12 "Firm Power" - That electric capacity and
20 associated energy which is intended to be available to a
21 customer at the times, and at the capacity factors specified
22 by the supplier and for which, in order to achieve that
23 degree of availability, adequate capacity and Spinning
24 Reserves and prime-mover energy and sufficient transmission
25 are provided to move such power to a point where it can be
26 utilized consistent with Good Utility Practice.

27 1.13 "Firm Transmission Service" - That transmission
28 service provided in Sections 6.2 except as provided in

1 Paragraph 6.2.7b.

2 1.14 "Forced Outages" - Any outages of NCPA Units or
3 NCPA Projects, except for Scheduled Maintenance Outages.

4 1.15 "Forecasted Operation Date" - The estimated
5 operation date of an NCPA Unit or NCPA Project established
6 as set forth in Section 7.4.

7 1.16 "Good Utility Practice" - Those practices,
8 methods and equipment, including levels of reserves and pro-
9 visions for contingencies, as modified from time to time,
10 that are at least as good as those commonly used in the
11 Service Area to operate, reliably and safely, electric
12 power facilities to serve a utility's own customers depend-
13 ably and economically, with due regard for the conservation
14 of natural resources and the protection of the environment
15 of the Service Area; provided, that such practices, methods
16 and equipment are not unreasonably restrictive.

17 1.17 "Inadvertent Energy" - That energy, which is in
18 excess of the NCPA load plus its firm and interruptible
19 energy sales and the energy deviation determined in
20 accordance with Appendix A.

21 1.18 "Initial Operation Date" - The date or dates
22 established pursuant to Section 2.3.

23 1.19 "Interconnection" - The physical connection of
24 the electric facilities of one system and the electric
25 facilities of another system.

26 1.20 "Interruptible Load" - Load that is interruptible
27 by NCPA immediately upon request of Pacific's system
28 dispatcher and which meets the criteria provided in

1 Section 7.8.

2 1.21 "Interruptible Transmission Service" - Freely
3 curtailable transmission service provided in Section 6.3 and
4 in part in Paragraph 6.2.7.

5 1.22 "Maintenance Power" - Electric capacity and
6 energy supplied to NCPA pursuant to Section 5.7.

7 1.23 "Management Committee" - A committee comprised of
8 equal numbers of members from each Party authorized to
9 settle issues pursuant to Section 9.14.

10 1.24 "March 1 Forecast" - The submission of forecasts
11 and planning data which NCPA and Pacific must make to each
12 other pursuant to Section 7.5 not later than March 1 of each
13 Year.

14 1.25 "NCPA Additional Projects" - NCPA's proposed NCPA
15 Geothermal Project No. 3 consisting of two 55 megawatts
16 electric generating units located at The Geysers steam
17 field, the amount of power dedicated to NCPA which is
18 generated at the proposed hydroelectric generating project
19 which is the subject of FERC License No. 2409, and other
20 generating resources mutually agreed to by the Parties, and
21 moreover, in accordance with the Stanislaus Commitments,
22 such agreement shall not be unreasonably withheld provided,
23 that NCPA must be able to dispatch itself, schedule or
24 contractually control the electrical output of any such
25 unit, project or resource, including those resources
26 delivered into the Service Area.

27 1.26 "NCPA Annual Peak Load" - The maximum coincident
28 Demand of all NCPA Member Customers measured during a Year

1 at the Delivery Points plus the coincident net output
2 adjusted to the Delivery Point of any generation internal to
3 the electrical systems of NCPA Member Customers.

4 1.27 "NCPA Annual Peak Load Responsibility" - For any
5 Year, the number of megawatts equal to the forecasted NCPA
6 Annual Peak Load plus any forecasted Firm Power sales by
7 NCPA other than to NCPA Member Customers less Interruptible
8 Loads and less that portion of the NCPA Annual Peak Load
9 which it or NCPA Member Customers plan to meet through
10 purchases of Firm Power.

11 1.28 "NCPA Average Spinning Reserve" - The monthly
12 minimum average amount of Spinning Reserve which NCPA must
13 provide at the time of its daily peak loads during any month
14 pursuant to Subsection 3.2.3.

15 1.29 "NCPA Capacity Reserve" - The amount of installed
16 capacity reserve in megawatts which NCPA is responsible for
17 providing each month pursuant to Section 3.1.

18 1.30 "NCPA Continuous Spinning Reserve" - The minimum
19 amount of Spinning Reserve which NCPA must provide at all
20 times pursuant to Subsection 3.2.4.

21 1.31 "NCPA Initial Project" - Those geothermal
22 electric generating facilities located in Sonoma County and
23 known as NCPA Project No. 2 constructed, owned and operated
24 by or for NCPA, consisting of two units, each with a
25 nameplate rating of 55 megawatts, in accordance with the
26 CEC's Final Order, revised, in its Docket No. 79-AFC-2.

27 1.32 "NCPA Member Customers" - The NCPA members and
28 associates who are or become Parties to this Agreement.

1 1.33 "NCPA Projects" - NCPA Initial Project, and NCPA
2 Additional Projects.

3 1.34 "NCPA Units" - Any prime movers, electric
4 generators and associated equipment, of an NCPA Project.

5 1.35 "Neighboring Distribution System" - A financially
6 responsible private or public entity which engages, or in
7 good faith proposes to engage, in the distribution of
8 electric power at retail and which meets each of the
9 criteria numbered (1), (2) and (4) in Section 1.36.

10 1.36 "Neighboring Entity" - A financially responsible
11 private or public entity or lawful association thereof
12 owning, contractually controlling or operating, or in good
13 faith proposing to own, to contractually control or to
14 operate facilities for the generation, or transmission at 60
15 kilovolts or above, of electric power which meets each of
16 the following criteria: (1) its existing or proposed
17 facilities are, or will be, technically feasible of direct
18 Interconnection with those of Pacific; (2) all or part of
19 its existing or proposed facilities are, or will be, located
20 within the Service Area; (3) its primary purpose for owning,
21 contractually controlling, or operating all generation and
22 transmission facilities is to sell in the Service Area the
23 power generated; and (4) it is, or upon commencement of
24 operations will be, a public utility regulated under
25 applicable state law or the Federal Power Act, or exempted
26 from regulation by virtue of the fact that it is a federal,
27 state, municipal or other public entity.

28 1.37 "Northwest Energy" - Energy originating in the

1 Pacific Northwest which is purchased by NCPA or NCPA Member
2 Customers and delivered for the account of NCPA or NCPA
3 Member Customers to Pacific at the Point of Connection for
4 transmission for NCPA under this Agreement.

5 1.38 "Pacific Governing Reserve Percentage" -
6 Pacific's planning reserve percentage for a Year, determined
7 as provided in Subsection 3.1.4.

8 1.39 "Pacific Northwest" - The states of Oregon,
9 Washington, Idaho and Montana, and Canada, west of the
10 Continental Divide.

11 1.40 "Pacific Spinning Reserve Percentage" - Pacific's
12 average annual Spinning Reserve margin for a Year determined
13 as provided in Subsection 3.2.3.

14 1.41 "Partial Requirements Power" - Firm electric
15 capacity and energy supplied to NCPA by Pacific pursuant to
16 Section 5.2.

17 1.42 "Point of Connection" - The established Point of
18 Receipt on the existing 500 kV transmission lines at or near
19 the Oregon-California border at which Northwest Energy is
20 delivered to Pacific for transmission for NCPA under this
21 Agreement.

22 1.43 "Points of Receipt" - Those points of
23 Interconnection as listed in Appendix A at which Pacific may
24 receive capacity or energy for the account of NCPA. NCPA
25 may identify additional points of Interconnection for Firm
26 Transmission Service with less than the required notice
27 pursuant to Subsection 6.2.3.

28 1.44 "Scheduled Maintenance Outages" - Any scheduled

1 outages of NCPA Projects coordinated pursuant to Section
2 7.3.

3 1.45 "Service Area" - That area within the exterior
4 geographic boundaries of the several areas electrically
5 served at retail, now or in the future, by Pacific, and
6 those areas in northern and central California adjacent
7 thereto.

8 1.46 "Short-Term Firm Power" - Capacity and energy
9 provided to NCPA by Pacific at Delivery Points and at
10 Pacific's Interconnection with NCPA Projects during Forced
11 Outages or unscheduled outages of transmission facilities or
12 of a contracted Firm Power supply, which exceed 48 hours
13 duration.

14 1.47 "Spinning Reserve" - Available unloaded capacity
15 resources that are operating, on-line, and synchronized to
16 Pacific's system and able instantaneously to take load on
17 demand.

18 1.48 "Stanislaus Commitments" - That statement of
19 commitments by Pacific submitted to the United States
20 Department of Justice by Pacific on April 30, 1976.

21 1.49 "The Geysers" - The area now designated as The
22 Geysers Known Geothermal Resources Area (KGRA) by the U.S.
23 Geological Survey which encompasses portions of Sonoma,
24 Mendocino, and Lake counties, all located in the State of
25 California.

26 1.50 "Third Parties" - Parties other than NCPA, NCPA
27 Member Customers or Pacific.

28 1.51 "Transmission Area" - That area within the

1 exterior geographic boundaries of the several areas
2 electrically served at retail now or in the future by
3 Pacific.

4 1.52 "Western" - The Western Area Power
5 Administration.

6 1.53 "Year" - A calendar year.

7 2 NCPA PROJECTS

8 2.1 Construction and Operation. NCPA shall provide,
9 operate and maintain equipment in NCPA Projects located
10 within Pacific's Control Area, and make changes in that
11 equipment as requested by Pacific, in accordance with Good
12 Utility Practice; provided, that Pacific shall give
13 reasonable advance notice to NCPA of such requested changes.
14 All Costs associated with such equipment, operation and
15 maintenance and changes required by this Section shall be
16 borne by NCPA. NCPA's obligations under this Section shall
17 include but not be limited to the following:

18 2.1.1 NCPA Project controls and alarms shall
19 contain such communications equipment, telemetering
20 equipment and remote supervisory controls as required for
21 interconnected operation with Pacific's system.

22 2.1.2 Connection to Pacific's transmission
23 system shall be through adequately sized facilities provided
24 and installed by NCPA. NCPA shall provide and maintain in
25 service protective devices for its Interconnection equipment
26 and associated systems which are capable of coordination
27 with Pacific's system. NCPA shall have such facilities in
28 service at the time of start-up of each NCPA Unit and shall

1 maintain them so that they are in coordination with
2 Pacific's system at all times.

3 2.1.3 To ensure protection for the electrical
4 facilities of the Parties, NCPA shall be responsible for
5 carrying out a coordinated program for protection of NCPA
6 Projects including but not limited to the following:

7 a. NCPA shall provide and maintain in
8 service high speed digital underfrequency protective relays
9 for each NCPA Unit. Such underfrequency relays shall be set
10 to operate at the frequency levels and time delays that are
11 used by Pacific in the Service Area as specified in
12 Paragraph 2 of Appendix B. Pacific may amend that Appendix
13 from time to time in order that it will be in agreement with
14 current practice. Any such revised Appendix B shall become
15 a part of this Agreement, and the Agreement shall be amended
16 thereby, when a copy of the revised Appendix B is delivered
17 to NCPA in accordance with Subsection 9.1.1. NCPA Unit
18 power generation equipment and auxiliary equipment shall be
19 designed to operate at full load at the frequency levels and
20 for the time periods specified in the underfrequency
21 protective relaying schedule provided in Paragraph 2 of
22 Appendix B as it may be amended.

23 b. NCPA shall provide, install and
24 maintain such protection equipment as necessary to protect
25 each NCPA Unit from power system disturbances. To prevent
26 the NCPA Units from creating unnecessary system disturbances
27 NCPA shall install, set and maintain automatic protective
28 devices on all NCPA Units to provide for separation of such

1 units from Pacific's transmission system under emergency or
2 fault conditions.

3 c. Transmission line relaying shall be
4 provided, installed and maintained by NCPA, and shall be
5 capable of coordination with that portion of Pacific's
6 protection system affected by the Interconnection.

7 d. The settings and adjustments of all
8 protective relays shall be reviewed and changed as necessary
9 to maintain required performance and coordination with that
10 portion of Pacific's system affected by the Interconnection.

11 e. In the event Pacific makes modifi-
12 cations or additions to its protection equipment which would
13 affect NCPA's electrical facilities, Pacific shall notify
14 NCPA of such changes. NCPA at its own cost shall make such
15 modifications and additions to NCPA Project protection
16 equipment as are required to remain fully coordinated and
17 compatible with Pacific.

18 2.1.4 In the event NCPA proposes to make
19 modifications or additions to its protection equipment which
20 would affect Pacific's electrical facilities, NCPA shall
21 notify Pacific of such changes and assume Costs, if any,
22 pursuant to Subsection 6.6.1.

23 2.1.5 NCPA shall provide a power system
24 stabilizer, with excitation equipment, for each NCPA Unit if
25 Pacific determines this is necessary in order to maintain
26 stable interconnected system operation.

27 2.1.6 Good Utility Practice shall govern
28 performance by the Parties under this Section 2.1.

1 2.1.7 If to resolve an urgent situation,
2 Pacific maintains that Good Utility Practice requires NCPA
3 to install, construct, or modify any facilities or equipment
4 on NCPA's system, NCPA shall perform such installation,
5 construction or modification by a completion date reasonably
6 specified by Pacific. NCPA may dispute the need, and
7 subsequent cost, for such installation, construction, or
8 modification. Resolution of the dispute in accordance with
9 the procedures of Section 9.14 shall determine whether and
10 to what extent Pacific will reimburse NCPA for the Cost of
11 such installation, construction, or modification.

12 2.2 NCPA Projects Located Outside Pacific's Control
13 Area. In the event NCPA proposes acquiring a
14 resource for its own use which is in the Control Area of
15 another utility, NCPA shall notify Pacific that the proposed
16 protection equipment or procedures meets the standards of
17 the Control Area in which the resource is located, provided
18 that if the resource is to be interconnected directly with
19 Pacific, Section 2.1 shall govern the requirements for
20 interconnecting such resource.

21 2.3 Initial Operation Date. The Initial Operation
22 Date for each NCPA Unit shall be 0001 hours on the day
23 following the day during which all features and equipment of
24 such NCPA Unit have reached such a degree of completion that
25 they are capable of operating simultaneously to deliver
26 power reliably into Pacific's system, or a system
27 interconnected with Pacific's system, in accordance with
28 Good Utility Practice.

1 2.4 Capacity Rating of NCPA Units.

2 2.4.1 The Capacity Rating of each NCPA Project
3 shall be determined in accordance with Good Utility Practice
4 by NCPA with written notice of such rating provided by NCPA
5 to Pacific; provided, that the Capacity Rating of the
6 proposed hydroelectric project which is the subject of FERC
7 License #2409, shall be determined using the dry-year
8 criteria. A Capacity Rating shall be provided to Pacific by
9 NCPA as early as practicable prior to the Initial Operation
10 Date; provided, that such initial Capacity Rating shall not
11 be greater than the nameplate rating less station use and
12 transformation losses.

13 2.4.2 Either NCPA or Pacific may request, when
14 it reasonably appears that the Capacity Rating of any NCPA
15 Project may have been incorrectly determined or may have
16 changed for any reason, that a new Capacity Rating be
17 determined. A new Capacity Rating will be promptly
18 established when requested, based upon acceptable testing
19 methods consistent with Good Utility Practice.

20 2.4.3 The Capacity Rating of an NCPA Project
21 shall not exceed the amount of Firm Transmission Service
22 available to NCPA by contract for power generated by that
23 project, except to the extent that sufficient dedicated
24 transmission service is available from entities other than
25 Pacific.

26 3 NCPA RESERVES

27 3.1 NCPA Capacity Reserve.

28 3.1.1 NCPA shall establish and use its best

1 efforts to maintain the NCPA Capacity Reserve determined
2 pursuant to this Section.

3 3.1.2 NCPA recognizes that as part of its best
4 effort to maintain the NCPA Capacity Reserve, and as a
5 matter of Good Utility Practice, when NCPA is providing its
6 own reserves from NCPA Projects, or purchases from Third
7 Parties, NCPA will plan and endeavor to provide greater than
8 minimum installed reserve capacity.

9 3.1.3 NCPA Capacity Reserve shall be
10 determined in accordance with the following:

11 a. In 1983, 1984, and 1985 NCPA
12 Capacity Reserve shall be at least equal to 0.178, 0.212,
13 and 0.213 respectively, multiplied by NCPA Annual Peak Load
14 Responsibility for that respective Year as forecasted by
15 NCPA in NCPA's initial forecast pursuant to Section 7.5
16 provided by NCPA to Pacific.

17 b. Thereafter NCPA Capacity Reserve
18 responsibility shall be equal to Pacific Governing Reserve
19 Percentage, as determined pursuant to Subsection 3.1.4 and
20 designated by Pacific to NCPA in Pacific's March 1 Forecast
21 submitted in even Years for the second and third following
22 Years, multiplied by the NCPA Annual Peak Load
23 Responsibility in those following Years as submitted by NCPA
24 to Pacific in NCPA's March 1 Forecast submitted in even
25 Years for the second and third following Years.

26 c. The Parties recognize that such
27 notice requirements are dependent upon regulatory procedures
28 and Pacific reserves the right to amend such notice

1 requirements to conform to changes in regulatory procedures.

2 3.1.4 The Pacific Governing Reserve Percentage
3 for any subject Year shall be equal to the megawatt margin
4 amount required by Pacific's applicable planning criterion
5 during Pacific's planning area peak load month divided by
6 the planning area peak load converted to a percentage. The
7 applicable planning criterion as shown in Appendix A is that
8 which requires the highest levels of reserves during
9 Pacific's planning area annual peak load month.

10 3.1.5 If the total capacity reserves Pacific
11 must provide to maintain system reliability equal to that
12 existing without the Interconnections provided by this
13 Agreement are increased by reason of this Agreement, then
14 NCPA shall, at Pacific's request, install or provide
15 additional Capacity Reserves in the full amount of such
16 increase.

17 3.1.6 Pacific may change its reserve planning
18 criteria or modify the application of existing reserve
19 planning criteria as it believes is appropriate to maintain
20 an adequate level of reliability for area planning
21 consistent with Good Utility Practice. If Pacific exercises
22 such right it will notify NCPA and, if requested, discuss
23 such changes or modifications in the Committee before filing
24 the change.

25 3.1.7 NCPA may provide its NCPA Capacity
26 Reserve required by this Section 3.1 by making available to
27 the Service Area Capacity Reserve from NCPA Projects or by
28 purchasing such reserves from Pacific or Third Parties.

1 NCPA shall advise Pacific no later than 120 days after the
2 Parties' March 1 Forecast submitted pursuant to Subsection
3 3.1.3 for the second and third following Years as to the
4 manner in which it plans to satisfy its NCPA Capacity
5 Reserve requirement in the subject Year, including but not
6 limited to sources and specific amounts of Capacity Reserves
7 provided from such sources, and the amount of Capacity
8 Reserves NCPA will purchase from Pacific; provided, that
9 NCPA shall advise Pacific of the sources of NCPA Capacity
10 Reserve determined in accordance with Paragraph 3.1.3a
11 within 30 days of the initial planning data forecast
12 provided by NCPA to Pacific in accordance with Section 7.5.
13 Resources provided by NCPA for NCPA Capacity Reserves shall
14 be equivalent in reliability and availability to the average
15 of resources within Pacific's Service Area and include
16 sufficient transmission capacity to deliver such reserves
17 into the integrated grid.

18 3.2 NCPA Spinning Reserve.

19 3.2.1 NCPA shall provide Spinning Reserve in
20 amounts necessary to meet NCPA Average Spinning Reserve and
21 NCPA Continuous Spinning Reserve requirements set forth
22 hereunder.

23 3.2.2 For the purposes of this Section 3.2:

24 a. Spinning Reserve shall be expressed
25 as a percentage of daily peak Demand.

26 b. NCPA's daily peak Demand shall be
27 the daily coincident peak Demand of NCPA Member Customers.

28 c. NCPA need not provide Spinning

1 Reserve for the Demand portion of its load which it meets
2 through purchases of Firm Power.

3 d. NCPA shall provide Spinning Reserve
4 equal to the full amount of the energy portion of its load
5 which it meets through purchases of interruptible power
6 imported from outside the Service Area, provided; that when
7 Pacific curtails such interruptible power due to system load
8 conditions NCPA Continuous Spinning Reserve Requirement,
9 pursuant to this Paragraph 3.2.2(d) shall be reduced by the
10 amount NCPA is curtailed, provided further; NCPA shall
11 maintain its minimum Spinning Reserve pursuant to
12 Subsection 3.2.4.

13 3.2.3 NCPA shall each month provide a minimum
14 average Spinning Reserve in an amount at least equal to
15 Pacific Spinning Reserve Percentage for that Year, as the
16 latter percentage is determined below in this Subsection.
17 Beginning on the Effective Date of this Agreement, Pacific
18 Spinning Reserve Percentage shall be deemed to be nine
19 percent. This percentage will be reviewed and determined
20 annually in advance by Pacific and Pacific shall advise NCPA
21 each Year, in Pacific's March 1 Forecast, of Pacific
22 Spinning Reserve Percentage for the following Year.

23 3.2.4 NCPA at all times shall maintain a
24 Spinning Reserve of not less than seven percent of its daily
25 coincident peak load. If at any time NCPA Continuous
26 Spinning Reserve falls below seven percent, NCPA shall take
27 immediate action to obtain or restore its Spinning Reserve
28 to the NCPA Continuous Spinning Reserve percentage of seven

1 percent. In the event NCPA takes such action and despite
2 its best efforts is unable to restore its Spinning Reserve
3 to such NCPA Continuous Spinning Reserve percentage within
4 10 minutes, Pacific shall furnish such Spinning Reserve on
5 an as-available basis.

6 3.2.5 Promptly after each month, NCPA shall
7 make and submit to Pacific a reasonable and adequate written
8 demonstration of the amounts of Spinning Reserve provided by
9 NCPA during each day of that month. If NCPA is unable or
10 fails to make and submit such a demonstration, Pacific may
11 make its own demonstration from records and information it
12 has on NCPA's operations. If NCPA has not met NCPA Average
13 Spinning Reserve requirements or NCPA Continuous Spinning
14 Reserve requirements during that month, the Spinning Reserve
15 needed to meet such NCPA requirements shall be deemed
16 provided by Pacific to the extent Pacific had the capacity
17 available. NCPA shall be charged for such Spinning Reserve
18 in accordance with Article 8 and the appropriate rate
19 schedule described in Appendix A.

20 3.2.6 If the total Spinning Reserve Pacific
21 must provide to maintain system reliability equal to that
22 existing without the Interconnections provided by this
23 Agreement is increased by reason of this Agreement, then
24 NCPA shall, at Pacific's request, provide additional
25 Spinning Reserve in the full amount of such increase.

26 4 NCPA POWER SALES TO PACIFIC

27 4.1 Surplus Power Sales from NCPA Projects. NCPA
28 shall inform Pacific of the availability of surplus power

1 from NCPA Projects located in Pacific's Service Area,
2 including but not limited to the quantities of surplus power
3 and the time that such power will be available. NCPA shall
4 give Pacific the same opportunity to bid and purchase such
5 power as other potential purchasers.

6 4.2 Emergency Power. NCPA shall make Emergency Power
7 available to Pacific on terms and conditions similar to
8 those associated with the sale of Emergency Power by Pacific
9 to NCPA described in Section 5.4 of this Agreement.

10 5 POWER SALES TO NCPA

11 5.1 General. Consistent with Good Utility Practice,
12 Pacific shall sell, and deliver to NCPA, power and services
13 as requested by NCPA under the terms and conditions of this
14 Agreement and at rates provided in Appendix A.

15 5.2 Partial Requirements Power.

16 5.2.1 Pacific shall provide to NCPA and NCPA
17 shall purchase from Pacific Partial Requirements Power to
18 meet any portion of the NCPA Member Customers load
19 requirements which cannot be met by capacity and energy from
20 NCPA Projects or purchases from Third Parties; provided,
21 that the requirements set forth in this Agreement which are
22 applicable to such service have been satisfied. The amount
23 of Partial Requirements Power Pacific is required to supply
24 and NCPA is required to pay for shall be the amount
25 forecasted by NCPA in its March 1 Forecast submitted in even
26 Years for the second and third following Years except as
27 otherwise provided for in Appendix A; provided, that NCPA
28 may adjust such forecast of Partial Requirements Power no

1 later than October 1 of the Year in which it submits such
2 forecast. (Example: NCPA's 3/1/84 forecast will obligate
3 it to the Partial Requirements Power level forecasted for
4 Years 1986 and 1987 subject to adjustment no later than
5 10/1/84.) Prior to 1986, Pacific shall provide and NCPA
6 shall pay for Partial Requirements Power in the amounts
7 listed in Exhibit A-1 of Appendix A. The Parties recognize
8 that such notice requirements are dependent upon regulatory
9 procedures and Pacific reserves the right to amend such
10 notice requirements to conform to changes in regulatory
11 procedures.

12 5.2.2 Pacific shall provide Partial Require-
13 ments Power to NCPA in addition to the amount of such power
14 provided pursuant to Subsection 5.2.1 on an as-available
15 basis. NCPA shall be charged for such additional Partial
16 Requirements Power at a rate provided for in Appendix A
17 pursuant to Article 8 of this Agreement.

18 5.2.3 In the event NCPA purchases or otherwise
19 acquires an additional source of capacity and energy, NCPA
20 may decrease the amount of Partial Requirements Power shown
21 in its most recent March 1 Forecast by an amount up to the
22 projected amount of such resource or purchase; provided,
23 that Pacific shall not be obligated or required to make such
24 adjustment on less than 39 months advance notice. If less
25 than 39 months advance notice is given the Parties shall
26 jointly consider such a decrease.

27 5.2.4 In the event the Initial Operation Date
28 of an NCPA Project occurs later than the Forecasted

1 Operation Date, Pacific will use best efforts to provide
2 additional Partial Requirements Power to NCPA on a
3 month-by-month basis, which shall apply only to sales in
4 excess of NCPA's then requested Partial Requirements Power,
5 up to the amount of the forecasted Capacity Rating of the
6 late resource. In the event Pacific is required to purchase
7 capacity and energy to meet NCPA's requirements at Costs
8 higher than provided in filed rate schedules applicable to
9 NCPA, and informs NCPA of such a requirement, NCPA shall pay
10 the additional Cost for such capacity and incremental energy
11 if NCPA agrees to accept such power.

12 5.2.5 In the event the Initial Operation Date
13 of an NCPA Project occurs prior to the Forecasted Operation
14 Date, Pacific at NCPA's request shall offer to purchase
15 capacity and energy from NCPA's resource pursuant to Section
16 4.1, if Pacific determines it is able economically and
17 beneficially to use such capacity and energy within the
18 Service Area. Unless otherwise agreed, the price for that
19 capacity and energy shall not exceed Pacific's filed rates
20 for Partial Requirements Power provided in Appendix A. If
21 Pacific determines it is not able to use such capacity and
22 energy, it shall, at NCPA's request, transmit such power
23 pursuant to Article 6.

24 5.2.6 Except as provided in Article 4 and
25 Article 6, NCPA may resell or otherwise dispose of any
26 Partial Requirements Power purchased to meet NCPA Member
27 Customers loads which prove to be surplus to their
28 requirements.

1 5.3 Short-Term Firm Power. Pacific shall provide
2 Short-Term Firm Power to NCPA upon NCPA's request at rates
3 listed in Appendix A; provided, that Pacific has capacity
4 and energy for such transactions available from its own
5 generating resources or which may be obtained by Pacific
6 from other sources, but only to the extent that it can do so
7 without impairing service to Pacific's retail or wholesale
8 power customers or impairing its ability to fulfill prior
9 commitments. NCPA shall use due diligence to correct the
10 condition associated with its need for such Short-Term Firm
11 Power at the earliest possible time.

12 5.4 Emergency Power.

13 5.4.1 Pacific shall provide Emergency Power to
14 NCPA at Delivery Points and at Pacific's Interconnection
15 with NCPA Projects during Forced Outages or unscheduled
16 outages of transmission facilities or of a contracted Firm
17 Power supply for periods not to exceed 48 hours at rates
18 provided in Appendix A; provided, that NCPA otherwise has
19 made a good faith effort to maintain the minimum level of
20 reserves specified in Article 3; provided further, that no
21 later than 48 hours after NCPA has requested Emergency Power
22 to be provided by Pacific, NCPA shall replace such Emergency
23 Power by purchasing capacity and energy from Third Parties
24 or purchasing Short-Term Firm Power from Pacific.

25 5.4.2 The capacity component of such Emergency
26 Power provided by Pacific to NCPA during such periods shall
27 be an amount scheduled by NCPA, but shall not be more than
28 an amount equal to that portion of the Forced Outage or

1 outage of transmission facilities or loss of contracted Firm
2 Power supply, adjusted for losses, which is the excess of
3 any capacity available to NCPA from other NCPA Projects,
4 Third Parties or Pacific, as scheduled as Partial
5 Requirements Power by NCPA.

6 5.5 Reserve Capacity. At NCPA's request, Pacific
7 shall offer to sell Capacity Reserve or Spinning Reserve to
8 satisfy NCPA's obligation under this Agreement; provided,
9 that adequate notice is given and such capacity is neither
10 needed to meet Pacific's own system reserve requirement nor
11 contractually committed to others at the time NCPA makes
12 such request; provided further, that NCPA is willing to
13 offer to sell, on reasonable terms and conditions, its own
14 such capacity to Pacific. In the case of Capacity Reserves,
15 NCPA shall notify Pacific in its March 1 Forecast provided
16 in even Years for the second and third following Years in
17 which NCPA wishes to purchase such reserves from Pacific as
18 to the amount of reserves to be purchased; provided, that
19 NCPA may adjust such forecast of Capacity Reserves no later
20 than October 1 of the Year in which it submits such
21 forecast. (Example: NCPA's 3/1/84 forecast will obligate
22 it to purchases of Capacity Reserves forecasted for Years
23 1986 and 1987 subject to adjustment no later than 10/1/84.)
24 NCPA shall be obligated to purchase Capacity Reserves in the
25 amount requested; provided, that at the time of
26 notification, Pacific determines that it will have such
27 reserves available for sale. NCPA Capacity Reserves to be
28 provided by Pacific prior to 1986 shall be as listed in

1 Appendix A. In the event Pacific purchases capacity and
2 energy to meet NCPA's requirements at Costs higher than
3 provided in filed rate schedules applicable to NCPA, and
4 informs NCPA of such a requirement, NCPA shall pay the
5 additional Costs for such capacity and energy provided NCPA
6 agrees to accept such reserves.

7 5.6 Power Provided During Curtailments Due to
8 Transmission Construction Delays.

9 At NCPA's request, Pacific shall provide limited
10 term Firm Power to NCPA on a limited as available basis for
11 the purpose of replacing NCPA Project generation
12 curtailments resulting from transmission system limitations
13 due to construction delays of transmission facilities beyond
14 the control of the Parties; provided, that the notice
15 provisions of Subsection 6.2.2 have been met;
16 provided further, that Pacific shall not be obligated to
17 provide such power beyond the term of NCPA's most recent
18 Partial Requirements Power forecast pursuant to
19 Subsection 5.2.1. Such power shall be scheduled by NCPA in
20 accordance with operating procedures being utilized by the
21 Parties at the time the power is requested. NCPA shall pay
22 for such power at a rate in accordance with Appendix A.

23 5.7 Maintenance Power. At NCPA's request and if NCPA
24 coordinates its Scheduled Maintenance Outages with Pacific
25 in accordance with Section 7.3, Pacific shall sell
26 Maintenance Power to NCPA, during periods when any NCPA
27 Project or unit located within the Transmission Area is
28 unavailable due to a Scheduled Maintenance Outage or

1 scheduled transmission outage. The amount of Maintenance
2 Power provided shall not be greater than the Capacity Rating
3 of the NCPA Projects or units on Scheduled Maintenance
4 Outages. In the event Pacific determines it is necessary to
5 purchase capacity and energy to meet NCPA's forecasted
6 Maintenance Power requirement at the time NCPA coordinates
7 its Scheduled Maintenance Outages pursuant to Section 7.3,
8 or supply Maintenance Power for an extension of NCPA's
9 Scheduled Maintenance Outage, at Costs higher than provided
10 in filed rate schedules applicable to NCPA, and informs NCPA
11 of such a requirement and NCPA agrees to accept such power,
12 NCPA shall be required to pay the additional Costs for such
13 capacity and incremental energy.

14 6 TRANSMISSION SERVICE PROVIDED BY PACIFIC TO NCPA

15 6.1 Transmission Service Generally. Pacific shall
16 provide to NCPA Firm Transmission Service and Interruptible
17 Transmission Service on the terms and under the conditions
18 set forth in this Article 6, as follows:

19 a. from NCPA Projects to Pacific's
20 Interconnections with the California State Department of
21 Water Resources, any Neighboring Entity or Neighboring
22 Distribution System including NCPA Member Customers and any
23 electric system engaging in bulk electric power supply
24 outside the Service Area;

25 b. to each NCPA Member Customer from
26 Pacific's Interconnections with the California State
27 Department of Water Resources, any Neighboring Entity
28 including NCPA Member Customers and any electric system

1 engaging in bulk electric power supply outside the Service
2 Area.

3 6.2 Firm Transmission Service.

4 6.2.1 Pacific shall provide Firm Transmission
5 Service to Delivery Points and from Points of Receipt
6 necessary to meet NCPA's initial transmission requirements
7 as listed in Exhibit A-4 of Appendix A. To meet such
8 initial transmission requirements, Pacific may require NCPA
9 pursuant to Subsection 9.12.4 to advance capital to Pacific
10 for construction or reinforcement of facilities listed in
11 Exhibit A-4 of Appendix A.

12 6.2.2 Unless otherwise agreed and except as
13 provided in Subsection 6.2.1, NCPA shall give Pacific no
14 less than 72 months advance written notice of new
15 requirements for or other changes in Firm Transmission
16 Service. This notice shall include the following
17 information:

18 a. Source of power and planned
19 Interconnection facilities, if any.

20 b. Initial date and termination date of
21 transmission service.

22 c. Amount of capacity and amount and rate
23 of energy deliveries to each Interconnection, expected
24 monthly and annual capacity factors and other applicable
25 information deemed necessary by Pacific to determine the
26 availability of the requested transmission service and the
27 conditions under which it can be provided.

28 6.2.3 Pacific shall provide NCPA Firm

1 Transmission Service described in this Section 6.2 with less
2 than 72 months advance notice when the requested service is
3 available. Pacific shall be the sole judge in determining
4 the amount of transmission capacity which can be provided
5 and the period of time that such service will be available.
6 Pacific shall determine and advise NCPA promptly of the
7 amount of transmission capacity which can be provided and
8 the period of time that such service will be available and
9 any limitations and qualifications concerning such service;
10 provided, Pacific shall make its determination without
11 unreasonable discrimination and in accordance with Good
12 Utility Practice.

13 6.2.4 If Pacific determines that it is
14 necessary to study whether it can render any requested Firm
15 Transmission Service and whether reinforcements or
16 additional transmission facilities will be required for such
17 service, it may require NCPA to compensate it for the Costs
18 of any such study. If NCPA compensates Pacific for such
19 Costs or if Pacific determines no compensation is required,
20 Pacific shall within 12 months after receipt of sufficient
21 information from NCPA provide NCPA with a written notice of
22 its determination of the extent of its ability to provide
23 the requested service pursuant to this Section 6.2. The
24 notice shall specify when and for how long the service can
25 be made available and any limitations or qualifications
26 concerning the service. If additions or modifications to
27 Pacific's facilities are necessary to provide such service
28 to NCPA, and Pacific will require payment of Costs for such

1 additions or modifications from NCPA, a preliminary
2 assessment of what is required and the amount and timing of
3 these estimated Costs will be given to NCPA. Thereafter, if
4 NCPA determines it still requires the requested service, on
5 NCPA's request and agreement to pay Pacific for all
6 additional Costs reasonably necessary to plan for NCPA's
7 request and all Costs of such work Pacific shall include
8 such service in its planning and construction programs in
9 order that such service may be made available to NCPA
10 pursuant to this Section 6.2.

11 NCPA shall receive all data reasonably
12 necessary to analyze results pertaining to NCPA's proposed
13 requested service except for information proprietary to
14 Pacific; provided, that if such studies referred to in this
15 subsection involve use of information proprietary to
16 Pacific, Pacific shall notify NCPA prior to NCPA's
17 authorization of the study and NCPA shall have only the
18 right to examine the studies for analysis purposes but not
19 to receive or make copies of them, and shall treat any
20 proprietary information in them as confidential.

21 6.2.5 Where transmission capacity will be
22 increased or additional transmission facilities will be
23 installed to provide or maintain the requested service, at
24 its option Pacific may require, in addition to a rate for
25 transmission service, the payment in the manner provided in
26 Subsection 9.12.4 by NCPA of Costs associated with the
27 increased capacity or additional facilities in accordance
28 with and in advance of NCPA's respective use of the new

1 capacity or facilities. Pacific shall use due diligence to
2 complete such additional transmission facilities so they
3 will be available when needed; provided, that nothing herein
4 shall diminish the rights of any Party under Section 9.8.
5 Pacific shall not be required to construct transmission
6 facilities in order to comply with an NCPA request made with
7 less than 60 months advance notice from the time NCPA
8 requests such plans to be included in Pacific's planning and
9 construction programs.

10 6.2.6a. The amount of Firm Transmission Service
11 for which NCPA must pay in any Year (subject Year) except as
12 provided in Appendix A shall be the amount of its
13 transmission service requirements specified in NCPA's
14 March 1 Forecast submitted to Pacific in even Years for the
15 second and third following subject Years together with any
16 Firm Transmission Service provided to NCPA by Pacific in
17 that subject Year in accordance with Subsection 6.2.3;
18 provided, that NCPA may adjust its specified Firm
19 Transmission Service requirement no later than October 1 of
20 the Year in which it submits such requirements.

21 b. If any decrease by NCPA in its
22 transmission service requirements reduces or eliminates the
23 need for installation by Pacific of transmission facilities
24 necessary to provide such service, where Pacific has at its
25 own Cost reinforced or constructed to provide Firm
26 Transmission Service requested by NCPA under this Section
27 6.2, NCPA shall pay cancellation charges in accordance with
28 Section 6.8.

1 6.2.7 The Parties recognize that present
2 transmission facilities extending from The Geysers are not
3 adequate for the transmission of all energy which may be
4 generated by geothermal generating units which are existing,
5 under construction, or planned. Until such time as
6 Pacific's proposed Geysers-Lakeville and Lakeville-Sobranite
7 230 kV transmission lines can be constructed and put into
8 full operation, Pacific will provide transmission service
9 from The Geysers only as provided by this Subsection 6.2.7.

10 a. Pacific shall provide NCPA transmission
11 service from NCPA's generating resources at The Geysers to
12 Pacific's Fulton Substation in an amount not exceeding
13 110 MW less Santa Clara's share when finally determined at
14 the Point of Receipt; provided, that if sufficient
15 transmission capability as determined by Pacific is not
16 available to transmit all energy which can be generated by
17 the geothermal plants which use the same transmission
18 facilities, NCPA shall curtail, at Pacific's request, NCPA's
19 scheduled deliveries from NCPA's generating resources at The
20 Geysers (i) to permit Pacific to transmit energy owned by
21 Pacific and which is generated by Pacific's power plants or
22 by plants from which Pacific is obligated by law to purchase
23 energy or from power plants Pacific is contractually
24 obligated to purchase energy from before the Effective Date
25 as those contracts may be amended; and (ii) as otherwise
26 required to share the remaining transmission capability on a
27 pro-rata basis with other entities.

28 b. In order to facilitate the use of NCPA's

1 generating resources at The Geysers during the period prior
2 to the completion of the Geysers-Lakeville and
3 Lakeville-Sobranite transmission lines, NCPA shall receive
4 full capacity credit for the power generated by NCPA Initial
5 Project regardless of curtailment; provided, that when
6 Pacific requests that NCPA curtail its Geysers generation,
7 NCPA shall to the extent it requires capacity in addition to
8 the remaining generation and purchases from Pacific and
9 others to meet its load purchase additional capacity and
10 energy from Pacific not exceeding the amount of the
11 curtailment at rates and conditions pursuant to Appendix A.

12 c. NCPA also recognizes the need for
13 additional transmission capacity out of The Geysers after
14 the completion of the Geysers-Lakeville and Lakeville-So-
15 brante transmission lines. NCPA will undertake to construct
16 or cause to be constructed a new 230 kV line from The
17 Geysers to an appropriate 230 kV substation in order to
18 alleviate transmission shortages which may, by 1987,
19 develop. NCPA will take the responsibility to meet certain
20 progress benchmarks, as shown in Appendix F subject to
21 uncontrollable forces as stated in Section 9.8. If NCPA
22 meets such benchmarks in accordance with this
23 Paragraph 6.2.7c, Pacific shall transmit generation from
24 NCPA's Geothermal Project Shell No. 3 and determine
25 capacity credit for such project in the same manner provided
26 for NCPA Initial Project pursuant to Paragraph 6.2.7b;
27 provided, that if such benchmarks are not met transmission
28 from NCPA Geothermal Project No. 3 shall be provided only as

1 Interruptible Transmission Service.

2 6.2.8a. NCPA may elect to participate as a ten-
3 ant-in-common owner in up to 110 MW less Santa Clara's share
4 when finally determined of the Geysers-Lakeville 230 kV
5 transmission line; provided, that NCPA must make this
6 election and so notify Pacific within 90 days after the
7 execution of this Agreement. The Parties shall enter into a
8 separate agreement, in accordance with the principles set
9 forth in Paragraphs b and c below for sharing the use and
10 Costs of the Geysers-Lakeville transmission line.

11 b. Unless otherwise agreed, Pacific shall
12 operate and maintain the Geysers-Lakeville transmission line
13 and NCPA shall pay Pacific for NCPA's share of the operation
14 and maintenance Costs of such lines.

15 c. All taxes or assessments which are
16 ascribable to a Party's ownership interest in such
17 transmission lines shall be the sole responsibility of that
18 Party even if those taxes or assessments are levied against
19 the other Party.

20 6.3 Interruptible Transmission Service.

21 6.3.1 In addition to Firm Transmission Service
22 provided for in Section 6.2 and except as otherwise provided
23 herein, Pacific shall provide Interruptible Transmission
24 Service for NCPA on an as-available, interruptible, basis
25 for energy to or from the points specified in Section 6.1;
26 provided, that the notice and other requirements set forth
27 in this Agreement which are applicable to this service have
28 been satisfied.

1 6.3.2 The amount of Interruptible Transmission
2 Service which Pacific agrees to provide shall be the lesser
3 of (1) the amount requested by NCPA in its notice provided
4 pursuant to Subsection 6.3.3, or (2) such other amount
5 Pacific determines and advises NCPA that is available if
6 NCPA agrees to accept that amount.

7 6.3.3 NCPA shall give reasonable advance
8 notice to Pacific of its Interruptible Transmission Service
9 requirements. Such notice shall be given orally if agreed
10 to by Pacific. NCPA shall include with its notice
11 requesting Interruptible Transmission Service the following
12 information:

13 a. Source of energy and proposed point of
14 delivery into the Pacific system.

15 b. Initial date and termination date of
16 transmission service.

17 c. Amount and rate of energy deliveries to
18 Point of Receipt including hourly variations and other
19 applicable information which Pacific deems necessary in
20 order to determine the availability of Interruptible
21 Transmission Service.

22 6.3.4 Pacific shall provide non-firm
23 transmission service on an as-available, interruptible,
24 basis for Northwest Energy purchased by NCPA or by NCPA
25 Member Customers, from the Point of Connection to NCPA
26 Member Customers as follows:

27 a. Pacific shall in its sole judgment
28 determine whether necessary transmission capacity is

1 available on the Pacific Northwest-Southwest intertie and
2 elsewhere on its system.

3 b. Transmission service shall be subject to
4 automatic interruption or curtailment when Pacific
5 determines such curtailment to be necessary. Normally,
6 Pacific will endeavor to give NCPA reasonable advance notice
7 of any planned curtailment; provided, that Pacific reserves
8 the right to interrupt said service without notice. If
9 Pacific notifies NCPA, pursuant to Paragraph a, that
10 transmission capacity is available for Northwest Energy, but
11 then determines, after receiving the request of NCPA and
12 others requesting transmission for such energy, that there
13 is insufficient transmission capacity for both NCPA and
14 others requesting transmission service for Northwest Energy,
15 Pacific shall so notify NCPA of the identity of such others,
16 the total transmission capacity that has been requested, and
17 the capacity that is available that Pacific may provide.
18 NCPA shall use its best efforts to agree with such others
19 upon a method of allocating such available transmission
20 capacity. If agreement cannot be reached within 60 minutes
21 after Pacific's notice hereunder, Pacific may allocate such
22 transmission capacity in any manner it determines, including
23 a determination not to allocate any transmission capacity to
24 NCPA, in order to accommodate the requests of the others so
25 as to be consistent with Good Utility Practice.

26 c. Pacific shall not be required by this
27 Agreement to transmit Northwest Energy if such transmission
28 would cause any spilling of water past any hydroelectric

1 generating facilities within the Service Area or when this
2 may, in Pacific's sole judgment, interfere with Pacific's
3 ability to operate its electric system under minimum load
4 conditions or to perform its then existing contracts or
5 obligations to purchase electric power from others or where
6 the transmission is for Northwest Energy purchased by NCPA
7 at a price equal to or lower than the price Pacific would
8 have offered or offered to pay for that energy.

9 d. By 2:00 p.m., or as soon thereafter as
10 possible, of each day next preceding the day for which
11 transmission service may be provided by Pacific, Pacific
12 shall make best efforts to inform NCPA of the transmission
13 line capacity expected to be available on Pacific's system
14 to transmit Northwest Energy to NCPA Member Customers during
15 each hour of the following day. NCPA shall, as soon as
16 possible after receiving such notice, but not later than 30
17 minutes thereafter, inform Pacific of the amount of
18 Northwest Energy that each seller will deliver to Pacific at
19 the Point of Connection during each hour of the following
20 day and the total of the hourly amounts of such energy to be
21 transmitted. Pacific may alter such scheduling procedures
22 including times and dates from time to time as it deems
23 appropriate by written notice given to NCPA.

24 e. Pacific may reduce the amount of
25 Interruptible Transmission Service to NCPA Member Customers
26 at any time prior to or during the hour of delivery if
27 necessary, in Pacific's sole opinion, because of system
28 conditions, intertie curtailments or outages or changes in

1 intertie conditions.

2 f. The amounts of Northwest Energy
3 scheduled to Pacific at the Oregon-California border by each
4 Northwest seller for NCPA in each hour, as shown on
5 Pacific's final schedule for that day, shall be deemed
6 delivered by each Northwest seller. NCPA shall be solely
7 responsible for payment to each Northwest seller for such
8 amounts.

9 6.3.5 NCPA shall schedule on an hourly basis
10 energy to be transmitted by Pacific pursuant to this
11 Section 6.3.

12 6.3.6 Pacific shall not be required to provide
13 Interruptible Transmission Service for NCPA which is not
14 specified in the notice provided under Subsection 6.3.3 or
15 6.3.4 to the extent the transmission facilities required for
16 such service are committed to be loaded from time to time
17 during the period for which such service is requested.
18 Pacific shall be the sole judge whether or not there is
19 sufficient transmission capacity to provide the
20 Interruptible Transmission Service requested by NCPA.
21 Pacific shall not be required to construct transmission
22 facilities in order to comply with NCPA's request for
23 Interruptible Transmission Service.

24 6.3.7 The Interruptible Transmission Service
25 shall be subject to interruption when Pacific, in its sole
26 judgment, determines such interruption to be necessary.
27 Normally, Pacific will endeavor to give NCPA reasonable
28 advance notice of any planned interruption; provided, that

1 Pacific reserves the right to interrupt said service without
2 notice when necessary.

3 6.4 Transmission Service Requirements.

4 6.4.1 Pacific shall not be required by this
5 Agreement to provide Firm Transmission Service or
6 Interruptible Transmission Service if the proposed
7 transaction would be inconsistent with Good Utility Practice
8 or if the necessary transmission facilities are committed at
9 the time of the request to be fully loaded during the period
10 for which service is requested or have been previously
11 reserved by Pacific for emergency purposes, loop flow, or
12 other uses consistent with Good Utility Practice; provided,
13 that with respect to the Pacific Northwest-Southwest
14 Intertie, Pacific shall not be required by this Agreement to
15 provide the requested transmission service if it would
16 impair Pacific's own use of this facility consistent with
17 the Bonneville Project Act (50 Stat. 731, August 20, 1937),
18 Pacific Northwest Power Marketing Act (78 Stat. 756,
19 August 31, 1964), and the Public Works Appropriation Act,
20 1965 (78 Stat. 682, August 30, 1964).

21 6.4.2 Nothing contained within this Agreement
22 shall require Pacific (1) to construct additional transmis-
23 sion facilities if the construction of such facilities is
24 inconsistent with Good Utility Practice or if such
25 facilities could be constructed without duplicating any
26 portion of Pacific's transmission system, (2) to provide
27 transmission service to a retail customer, or (3) to
28 construct transmission facilities outside the Transmission

1 Area.

2 6.4.3 Pacific shall not be required by this
3 Agreement to transmit power for NCPA to any electric system
4 located outside the Service Area if, subsequent to NCPA
5 giving reasonable notice, any other Neighboring Entity,
6 Neighboring Distribution System or Pacific wishes to
7 purchase such power at an equivalent bid for use within the
8 Service Area.

9 6.4.4 Pacific shall not be required by this
10 Agreement to transmit power from a hydroelectric facility
11 the ownership of which has been involuntarily transferred
12 from Pacific. However, it is understood that NCPA does not
13 forfeit any future rights which it may have with respect to
14 the transmission of power from such a hydroelectric
15 facility.

16 6.4.5 Under transmission outage conditions,
17 Firm Transmission Service provided under this Agreement
18 shall be continued by Pacific, to the extent possible
19 consistent with Good Utility Practice. In the event that
20 the full amount of Firm Transmission Service cannot be
21 maintained as a result of such outage, NCPA shall be
22 curtailed in proportion to its use of the affected
23 transmission facilities; provided, that at any time
24 continuity of service to customers within Pacific's
25 Transmission Area is being jeopardized, as determined by
26 Pacific, Pacific may curtail without unreasonable
27 discrimination the Firm Transmission Service being made
28 available by it to NCPA to the extent necessary to avoid

1 such jeopardy.

2 6.4.6 Pacific shall provide NCPA with Firm
3 Transmission Service from entities other than as herein
4 specified to NCPA Member Customers to the extent required
5 and as provided by law or by the Stanislaus Commitments.

6 6.5 Transmission Losses. All transmission deliveries
7 under this Agreement shall be reduced for transmission
8 losses as described in Appendix A. Pacific may revise
9 Appendix A, from time to time, as appropriate and shall
10 prepare and submit to NCPA an analysis supporting such
11 revisions. Any such revised Appendix A shall become a part
12 of this Agreement and the Agreement shall be amended
13 thereby, when a copy of the revision is delivered to NCPA in
14 accordance with Subsection 9.1.1 and accepted for filing by
15 FERC.

16 6.6 Delivery Conditions.

17 6.6.1 In the event changes in transmission
18 delivery voltages, relocation of facilities serving
19 Interconnections and Delivery Points or other changes in
20 transmission facilities are necessary on Pacific's side of
21 any connection with NCPA or NCPA Member Customers because of
22 changes on Pacific's transmission system as a result of Good
23 Utility Practice, these changes shall be made by Pacific at
24 its expense. Such changes on NCPA's side of the connection
25 point shall be at NCPA's expense unless the change is made
26 for Pacific's benefit and at Pacific's sole discretion or as
27 otherwise agreed. Such change made at Pacific's sole
28 discretion shall be submitted to the Committee to determine

1 the respective long-term benefits of such changes. The
2 Committee shall allocate the Cost of such changes based on
3 the projected net long-term benefits to each Party. Changes
4 required on Pacific's side of any connection due to changes
5 made by NCPA on its side of the connection shall be made at
6 NCPA's expense.

7 6.6.2 In the event that NCPA requests Pacific
8 to make changes in delivery location and voltage other than
9 changes provided for in Subsection 6.6.1, Pacific shall
10 endeavor to comply with such requests upon mutually agreed
11 terms and conditions including but not limited to
12 compensation to Pacific.

13 6.7 Commencement of Charges for Transmission Service.

14 Charges to NCPA for services provided in this
15 Article 6 shall be in accordance with Article 8 and shall
16 commence as follows:

17 6.7.1 For Firm Transmission Service from NCPA
18 Initial Project, on the Effective Date.

19 6.7.2 For Firm Transmission Service other than
20 from NCPA Initial Project, charges shall commence at 0001
21 hours on the first day of the month in which service is
22 first used, unless otherwise agreed. Charges for Firm
23 Transmission Service commencing on a date other than the
24 first day of the month shall be prorated to reflect the
25 number of days for which transmission service was provided.

26 6.7.3 For all other transmission service, on
27 the date the Parties agree such service will begin.

28 6.8 Cancellation Charges.

1 6.8.1 In the event that all or a portion of
2 the transmission facilities, including, but not limited to,
3 communication and control facilities, and any facilities
4 used to provide transmission service to NCPA, reinforced or
5 constructed by Pacific for the purpose of providing NCPA
6 with Firm Transmission Service under this Agreement become
7 idle because of termination of this Agreement by NCPA prior
8 to December 31, 2012, or because of NCPA's request for
9 reduction of maximum rates of Firm Transmission Service or
10 deletion of a Point of Receipt or a Delivery Point for Firm
11 Transmission Service as provided in Subsection 6.2.6, NCPA
12 shall pay to Pacific cancellation charges. Cancellation
13 charges shall take into account the following items as
14 appropriate: (i) the undepreciated portion of Costs
15 incurred by Pacific, other than those Costs which were paid
16 by NCPA pursuant to Subsection 9.12.4, in the installation
17 of such transmission facilities or portion thereof which are
18 not necessary in serving other customers of Pacific,
19 (ii) the removal Cost less the value of any of such
20 transmission facilities which are proposed to be removed, if
21 any facilities are to be removed, and (iii) the actual Cost
22 of Pacific owning any of the transmission facilities which
23 Pacific proposes to retain in place, until December 31,
24 2012, reduced to reflect any revenues Pacific will receive
25 until that date from other customers using such facilities.

26 6.8.2 Pacific shall bill NCPA for such
27 cancellation charges after the effective date of termination
28 of this Agreement by NCPA or after the effective date of

1 reduction in maximum rates of Firm Transmission Service or
2 deletion of a Point of Receipt or Delivery Point for Firm
3 Transmission Service. NCPA shall pay such bills in
4 accordance with Article 9 notwithstanding any termination,
5 unless otherwise agreed by the Parties.

6 6.8.3 If after payment of the cancellation
7 charges, but not later than December 31, 2012, a portion of
8 those transmission facilities referred to in this Section
9 6.8 is retained in place and later used by Pacific in
10 serving other customers, a just and reasonable adjustment
11 shall be made in the calculation of the applicable
12 cancellation charges and a refund paid by Pacific to NCPA.

13 7 COORDINATED OPERATION

14 7.1 Interconnection.

15 7.1.1 NCPA shall give Pacific adequate advance
16 written notice of any proposed additional Interconnection
17 with Pacific or the electric system of anyone other than
18 Pacific, including, but not limited to, additional Intercon-
19 nections required as a result of new NCPA Member Customers.
20 The advance notice shall provide adequate lead time
21 necessary to accomplish the Interconnection, including but
22 not limited to, such time as may be necessary for
23 (1) studies and design, (2) review by regulatory agencies,
24 (3) obtaining required approvals, permits and licenses,
25 (4) construction, and (5) establishing any contractual
26 arrangements between the Parties and Third Parties that may
27 be necessary.

28 7.1.2 Upon the giving of such notice, NCPA and

1 Pacific will jointly consider and endeavor to agree upon
2 additional contractual provisions, measures, or equipment,
3 required by Good Utility Practice as a result of the
4 proposed additional Interconnection arrangement.

5 7.1.3 Pacific shall not be required to provide
6 any services to a new NCPA member or affiliate or to NCPA on
7 that entity's behalf until this Agreement has been amended
8 to include the new member or affiliate as an NCPA Member
9 Customer and a Party.

10 7.1.4 Pacific or NCPA may terminate this
11 Agreement when, in the sole judgment of either Party, the
12 reliability of its system or service to its customers would
13 be adversely affected by either Party's additional
14 Interconnection arrangement and after review and discussion
15 the Committee cannot agree pursuant to Paragraph 9.13.6a on
16 the manner for removing such adverse effects.

17 7.1.5 All Interconnections and Delivery Points
18 shall be consistent with Good Utility Practice.

19 7.1.6 All Interconnections with Pacific shall
20 be at one point with each NCPA Member Customer unless
21 otherwise provided in Appendix A or otherwise agreed by the
22 Parties. Such Interconnections shall not be limited to
23 lower voltages when higher voltages are preferable from the
24 standpoint of Good Utility Practice and are available from
25 Pacific.

26 7.1.7 Facilities or control equipment at
27 existing and proposed Interconnection and Delivery Points
28 shall be provided, operated, and maintained in a manner to

1 ensure the safe and reliable operation of the respective
2 Parties' systems and in accordance with Good Utility
3 Practice.

4 7.1.8 The Costs of additional facilities
5 required to provide service at an Interconnection shall be
6 allocated on the basis of the projected economic benefits
7 for each Party from the Interconnection after consideration
8 of the various transactions for which the Interconnection
9 facilities are to be used. The Parties will reach such
10 agreement prior to establishing any such Delivery Point.

11 7.1.9 Pacific and several NCPA Member
12 Customers have in their respective resale contracts certain
13 interconnection arrangements which the Parties wish to
14 continue in effect even though these resale contracts will
15 be terminated. These continuing arrangements are specified
16 in Appendix C.

17 7.2 Operation Schedule and Records

18 7.2.1 Not less than five days before the end
19 of each month NCPA shall provide Pacific an operating
20 schedule for the following month specifying hourly amounts
21 of energy to be generated by NCPA Projects, any firm or
22 non-firm energy or capacity purchases, and any Spinning
23 Reserve to be provided by NCPA from inside or outside the
24 Service Area. NCPA shall promptly inform Pacific of any
25 changes in such schedule before such changes are executed.
26 Any changes in such schedule, coordinated with Pacific and
27 otherwise in accordance with this Agreement and Good Utility
28 Practice, shall be recorded as a revised schedule.

1 7.2.2 NCPA shall provide Pacific such
2 operation records as requested by Pacific which may be
3 necessary for the interconnected operation of the Parties'
4 systems. Such records shall include but not be limited to
5 daily and hourly generation of NCPA Projects, power
6 purchases by NCPA other than from Pacific, line loadings,
7 voltages and reactive power.

8 7.2.3 It is the intent of the Parties that
9 after 18 months from the Effective Date, for billing
10 purposes NCPA shall receive credit for the capacity and
11 energy from NCPA Projects and from its power acquisitions
12 from Third Parties based only upon advance schedules except
13 as otherwise provided in Appendix A. Such schedules shall
14 be on an hourly basis except that NCPA may change such
15 schedules in advance within the hour for resources located
16 within the area to the extent appropriate as a result of
17 changes in the load, provided that schedule changes for
18 resources outside Pacific's Control Area shall be made
19 consistent with tie line operating procedures. Except as so
20 provided, Pacific shall not be required to afford NCPA
21 billing credit for NCPA power on a retroactively accounted
22 for basis or otherwise to exchange, bank or shape such power
23 with or for NCPA. Credit for capacity and energy from NCPA
24 Projects and from its power acquisitions from Pacific and
25 from Third Parties prior to 18 months after the Effective
26 Date, shall be in accordance with Appendix A.

27 7.2.4 NCPA's operation schedule submitted to
28 Pacific and revised in accordance with this Section 7.2, and

1 NCPA's operation records submitted to Pacific in accordance
2 with Subsection 7.2.1, shall form the basis of billing
3 pursuant to Appendix A.

4 7.2.5 This Agreement does not provide for the
5 payment or return to NCPA of any Inadvertant Energy
6 delivered to Pacific except as provided in the Appendices.

7 7.3 Coordinated Maintenance. NCPA shall coordinate
8 its Scheduled Maintenance Outages with Pacific on or before
9 November 1 of each Year for each NCPA Unit for the
10 subsequent Year. NCPA shall use due diligence to complete
11 such Scheduled Maintenance Outage on schedule. Such
12 Scheduled Maintenance Outage may be subsequently rescheduled
13 upon mutual agreement of the Parties.

14 7.4 NCPA Project Schedule. NCPA shall notify Pacific
15 of the start of construction of each NCPA Project and of the
16 Forecasted Operation Date of the project within 60 days
17 after such start. Not less than 60 days prior to the
18 Initial Operation Date of each NCPA Project or NCPA Unit
19 thereof except for NCPA's Initial Project and on or before
20 November 1 of each Year thereafter, NCPA shall furnish
21 Pacific a monthly schedule of the estimated output from each
22 NCPA Project for the succeeding Year and shall promptly
23 advise Pacific of any proposed changes thereto.

24 7.5 Planning Data. Not more than 30 days after the
25 Effective Date, and thereafter once each Year not later than
26 March 1 of each Year, NCPA and Pacific shall exchange
27 forecasts and other planning information including but not
28 limited to the following: (1) loads and resources for the

1 current Year and the nine succeeding Years, (2) the amount
2 of Partial Requirements Power to be supplied by Pacific for
3 the current Year and for the nine succeeding Years,
4 specifying the monthly peak capacity requirements and
5 monthly total energy requirements, (3) Pacific Governing
6 Reserve Percentage for the current Year and nine succeeding
7 Years and Pacific Spinning Reserve Percentage for the
8 following Year, (4) the amounts and sources of NCPA Capacity
9 Reserve for the current Year and the nine succeeding Years,
10 the amounts and sources of Spinning Reserve which NCPA will
11 provide during the following Year, and how much of each such
12 reserve will be obtained or purchased from each such source
13 including but not limited to purchases from Pacific, and
14 (5) NCPA's requirements for Firm Transmission Service for
15 the current Year and nine succeeding Years. Nothing in this
16 Section shall require NCPA or Pacific to disclose
17 information which it considers proprietary or where it
18 believes the disclosure could impair competitive relations
19 between them. Either Party may meet any portion of the
20 requirements of this Section by referring to its filings of
21 public record with regulatory agencies where those filings
22 contain the necessary information and the other Party has or
23 is furnished a copy of those filings.

24 7.6 Designation of Each Additional NCPA Project or
25 NCPA Unit. In addition to exchanging load and resource data
26 pursuant to Section 7.5, NCPA shall designate in writing to
27 Pacific each NCPA Additional Project. Such designation
28 shall be made not later than 60 days after filing the

1 appropriate document requesting approval of the CEC or any
2 successor agency of such NCPA Project; provided, that if an
3 NCPA Additional Project does not require approval of the
4 CEC, NCPA shall provide such designation to Pacific within
5 60 days after such NCPA Additional Project can be identified
6 as such.

7 7.7 Reactive Power Requirements and Power Factor
8 Correction.

9 7.7.1 NCPA shall, at its expense, provide and
10 maintain proper voltage control equipment on each NCPA
11 Project to supply, under all loading conditions including
12 no-load, the "leading" or "lagging" reactive power as
13 required for its share of the Service Area load and
14 transmission needs. NCPA shall operate such facilities and
15 devices in accordance with Pacific's requests, made in
16 accordance with Good Utility Practice, at any time, for
17 reactive support and voltage control; provided, that NCPA
18 Projects shall not be required to operate in a manner
19 substantially different from Pacific's other resources
20 similarly connected to that portion of the Service Area. In
21 order to supply such reactive power, each NCPA Project shall
22 be designed to provide the leading and lagging reactive
23 capability for its portion of Service Area needs and load.

24 7.7.2 NCPA shall provide sufficient, hour by
25 hour, power factor correction to satisfy its share of the
26 requirements of the Service Area. NCPA shall assure and
27 each NCPA Member Customer hereby agrees that each NCPA
28 Member Customer will maintain its load power factor at a

1 level comparable to the power factor level maintained by
2 Pacific in the same geographic area. NCPA shall assure that
3 and each NCPA Member Customer hereby agrees to use control
4 methods comparable to the methods used by Pacific to achieve
5 this objective. Each Year Pacific shall determine and give
6 written notice to NCPA of each NCPA Member Customer's power
7 factor requirement necessary to meet the objective specified
8 in this Subsection. NCPA shall assure and each NCPA Member
9 Customer hereby agrees that each NCPA Member Customer shall
10 install any equipment necessary to meet such requirements
11 within 270 days of such notice. If any NCPA Member Customer
12 fails, within 90 days after such written notice by Pacific
13 to NCPA, to develop an engineering plan to achieve and
14 maintain such power factor level as required herein,
15 Pacific or NCPA may, subsequent to 180 days following the
16 written notice, install, operate, and maintain the necessary
17 power factor correcting equipment on their respective sides
18 of the Interconnection. If Pacific installs such equipment,
19 NCPA shall reimburse Pacific for all Costs necessary for
20 such power factor correcting equipment. As an alternative
21 to installing such equipment, Pacific may charge a rate for
22 such power factor correction pursuant to Appendix A.

23 7.8 Interruptible Load. Interruptible Load shall be
24 load interruptible by NCPA immediately upon request of
25 Pacific's system dispatcher or interruptible by
26 underfrequency relay, and capable of remaining curtailed on
27 the same basis as interruptions and curtailments by Pacific
28 in accordance with rate schedules filed by Pacific with the

1 California Public Utilities Commission or its successor.
2 Underfrequency relay settings for Interruptible Load shall
3 be set at a mutually agreed upon frequency level higher than
4 that for shedding of firm loads. Interruptible Load shall
5 be identified for planning purposes five years in advance.
6 The total amount of NCPA Interruptible Load shall be
7 reasonable, taking into account the effect on system
8 reliability, appropriate measures for interrupting service,
9 the total load served by NCPA, Spinning Reserve available
10 from NCPA, the amount of Interruptible Loads served in the
11 area system and other relevant factors affecting the
12 operation of the systems of the Parties under this
13 Agreement.

14 8 RATES AND CHARGES

15 8.1 Pacific's Rates. Pacific's rates for services
16 referred to in this Agreement shall be specified in rate
17 schedules attached hereto as Appendix A, as those schedules
18 may be superseded or changed from time to time pursuant to
19 Section 8.2. Such rate schedules shall include rates and
20 charges for:

21 8.1.1 Firm Transmission Service and
22 Interruptible Transmission Service over Pacific's
23 transmission system pursuant to Article 6.

24 8.1.2 Power sales to NCPA which include
25 Partial Requirements Power, Emergency Power, Maintenance
26 Power, Short-Term Firm Power, Curtailment Power, Capacity
27 Reserve and Spinning Reserve provided pursuant to Article 5,
28 and power factor correction provided pursuant to Subsection

1 7.7.2.

2 8.2 Unrestricted Right to File Unilateral
3 Rate Changes. Except as specified in Appendix A, nothing
4 contained herein shall be construed as affecting in any way
5 the right of the party furnishing service under this rate
6 schedule to unilaterally make application to the Federal
7 Energy Regulatory Commission or its regulatory successor,
8 for a change in rates under Section 205 of the Federal Power
9 Act and pursuant to the Commission's rules and regulations
10 promulgated thereunder. For purposes of this Paragraph 8.2,
11 the term "rates" shall be deemed to include any and all
12 rates, charges, classifications, rate principles, rate
13 methodology and other rate matters specified in Appendix A,
14 or its successor(s), if any. Either party may also
15 unilaterally apply to the Federal Energy Regulatory
16 Commission for changes in terms and conditions of service or
17 other matters not addressed or specified in Appendix A under
18 Section 206 of the Federal Power Act and pursuant to the
19 Commission's rules and regulations promulgated thereunder.

20 9 GENERAL PROVISIONS

21 9.1 Notices.

22 9.1.1 Any notice, demand, information, report
23 or item otherwise required, authorized or provided for in
24 this Agreement, other than dispatching and billing, shall be
25 deemed properly given if delivered in person or sent by
26 United States Mail, postage prepaid, to the persons
27 specified below:

28 ///

1 (1) To Pacific:

2 Vice President, Electric Operations
3 Pacific Gas and Electric Company
4 77 Beale Street
5 San Francisco, California 94106

6 (2) To NCPA and NCPA Member Customers:

7 General Manager
8 Northern California Power Agency
9 8421 Auburn Blvd., Suite 160
10 Citrus Heights, California 95610

11 Either Party may, by written notice to the other Party at
12 any time, change the designation of the person to be
13 notified or the address of such person.

14 9.1.2 The Parties shall respond in a timely
15 and adequate manner to written requests provided for in this
16 Agreement.

17 9.2 Load Shedding.

18 9.2.1 The Parties recognize that Good Utility
19 Practice requires automatic load shedding by underfrequency
20 relay be provided in the event the Service Area or
21 interconnected system load requirements exceed power sources
22 instantaneously available to meet such requirements. In
23 consonance with this concept, NCPA shall at its expense
24 require each NCPA Member Customer to provide, operate and
25 maintain in service high speed digital underfrequency load
26 shedding equipment in a manner consistent with that observed
27 in the Service Area. Each NCPA Member Customer shall meet
28 this requirement. Such load shedding equipment shall be
designed to operate at levels compatible and coordinated
with Pacific's load shedding system and shall be set for the
amount of load to be shed, with frequency steps and tripping

1 times as shown in Appendix B. Appendix B shall be revised
2 by Pacific, from time to time, so that the loads of NCPA
3 Member Customers will be reduced by the same percentage, and
4 at the same frequencies, as Pacific reduces the loads of its
5 firm customers in the same area to the extent consistent
6 with Subsection 9.2.2. In the event of revisions made to
7 Pacific's system, NCPA at its expense shall require NCPA
8 Member Customers to provide, operate and maintain necessary
9 equipment and make such setting changes required to remain
10 fully coordinated with Pacific. Each NCPA Member Customer
11 shall meet this requirement.

12 9.2.2 If at any time, the Service Area load
13 requirements exceed power sources available to the Service
14 Area to meet such requirements, thereby requiring either
15 automatic or manual load shedding, or both, load shedding
16 shall be such as to maintain as far as practicable, with due
17 consideration for the requirements of public health and
18 safety, the relative size of load serviced by each Party in
19 the same proportion as existed before such load shedding
20 unless directed otherwise by lawful authority or occasioned
21 by circumstances beyond Pacific's control.

22 9.2.3 The Parties shall cooperate to develop
23 and enforce, as necessary, plans for voluntary and mandatory
24 load curtailment consistent with those observed in the
25 Service Area. Such plans will include: (1) cases of sudden
26 emergency loss of an energy resource of sufficient size or
27 capacity to require interruption of service to non-interrup-
28 tible utility customers (e.g., failure of generation, trans-

mission and/or distribution facilities); or (2) loss or reduction of energy supply or production facilities of sufficient magnitude or for such duration as to cause an intermittent or continuing reduction in the availability of service to non-interruptible utility customers (e.g., that resulting from reinstitution of the oil embargo, substantial curtailment of fuel deliveries to Pacific or excessive delay in constructing and making operational a major generating plant).

9.3 Agreement Effective Date. This Agreement shall become effective on the date it is permitted to become effective as a rate schedule by FERC; provided, that this Agreement is expressly conditioned upon FERC's acceptance of it for filing, without change including charges made for sales or service as set forth in Appendix A, and the terms and conditions of those sales or services (unless any such change is agreed upon by the Parties), and shall not become effective unless so accepted.

9.4 Term. The term of this Agreement shall be 30 years from its Effective Date unless terminated by either Pacific or NCPA giving the other not less than three years advance written notice of termination. Such termination shall also automatically terminate any tariffs or rate schedules which in whole or in part result from or incorporate this Agreement and no regulatory filings shall be required to effectuate such termination. After such termination, all rights to services provided under this Agreement or any such tariff or rate schedule shall cease.

1 The Parties agree that any such termination shall not affect
2 any rights NCPA may have under the Stanislaus Commitments
3 and that it is the intent of the Parties that in the event
4 of such termination, to the extent that such services are
5 required by the Stanislaus Commitments, and to the extent
6 they are requested by NCPA, such services will be provided
7 in accordance with the terms and conditions of said
8 Stanislaus Commitments. Any right to payment of money for
9 transactions occurring prior to the termination shall
10 continue.

11 9.5 Liability.

12 9.5.1 Nothing in this Agreement shall be
13 construed to create any duty to, any standard of care with
14 reference to, or any liability to any person not a Party.

15 9.5.2 A Party, its directors, commissioners,
16 councilmen, officers, agents and employees, shall not be
17 liable to the other Party for damage to the system of such
18 other Party caused by an electric disturbance on the first
19 Party's system, or on the system of another, whether or not
20 such electric disturbance results from negligence of the
21 first Party.

22 9.5.3 a. NCPA shall be fully responsible and
23 liable to Pacific for payment for all of NCPA's obligations
24 arising under this Agreement, including but not limited to
25 the sale of goods and provision of services by Pacific,
26 notwithstanding that some or all of these goods and services
27 are allocated by NCPA for the account of NCPA Member
28 Customers. As used in this Agreement, the term "goods"

1 shall have the same meaning as and be defined by the term
2 "goods" in the Uniform Commercial Code of the State of
3 California as of the date of execution of this Agreement.
4 The term "service" shall mean all of Pacific's obligations
5 under this Agreement, including but not limited to the
6 transmission of energy and/or the sale of or provision for
7 the availability of energy, capacity and reserves. Such
8 service may be comprised of various classes of capacity and
9 energy provision, sales and/or transmission services.
10 "Service" shall include the utilization of facilities owned
11 or operated by Pacific to effect any of the foregoing sales
12 or services whether by leasing or other arrangements. As
13 defined herein, the term "service" is used without regard to
14 the form of payment or compensation for the sales or
15 services rendered whether by purchase and sale, interchange,
16 exchange, wheeling charge, facilities charge, rental or
17 otherwise. Any NCPA Member Customer to whom goods and
18 services are allocated by NCPA shall be jointly and
19 severally liable along with NCPA to the full extent of such
20 allocated goods and services. NCPA shall unconditionally
21 and fully perform each and every obligation under this
22 Agreement, including but not limited to liability for
23 payment to Pacific notwithstanding any failure or refusal by
24 any NCPA Member Customer to pay NCPA for goods and services
25 allocated by NCPA to such NCPA Member Customer; provided,
26 that this shall not restrict any right NCPA may otherwise
27 have to pledge any of its revenues in order to finance
28 projects which NCPA may lawfully undertake. In the event of

1 any such pledge of NCPA revenues, Pacific's status as a
2 creditor of NCPA shall not be subordinate to the interest of
3 any creditor other than pledgees in any such pledge and no
4 such pledge shall include any of NCPA's revenues obtained
5 pursuant to Paragraph b of this Subsection.

6 b. (i) NCPA shall fix charges to and
7 promptly bill NCPA Member Customers in amounts necessary to
8 pay in accordance with Subsection 9.12.2 in timely manner
9 within 30 days 100 percent of the total charges by Pacific
10 to NCPA for goods and services provided by Pacific under
11 this Agreement, as needed to discharge NCPA's obligations
12 under this Agreement, and as needed to establish and
13 maintain a reasonable reserve for contingencies. NCPA shall
14 receive and deposit such moneys in trust for payment to
15 Pacific only. NCPA shall diligently pursue all necessary
16 collection efforts in the event its charges, including
17 interest charges, to NCPA Member Customers are not paid in a
18 timely manner.

19 (ii) NCPA shall furnish Pacific
20 copies of its bills to each NCPA Member Customer within
21 three working days after such bills are presented by NCPA to
22 NCPA Member Customers.

23 c. Without prejudice to its claim
24 against NCPA, Pacific may proceed at its option directly
25 against each NCPA Member Customer and each NCPA Member
26 Customer shall be responsible and liable to Pacific for
27 paying a portion of Pacific's charges to NCPA for all goods
28 or services provided under this Agreement and for

1 discharging a portion of NCPA's obligations under this
2 Agreement as follows:

3 (i) If NCPA fails to pay
4 unconditionally any part of any debt, liability or
5 obligation incurred by NCPA or any NCPA Member Customer
6 under this Agreement within 30 days after receipt of
7 Pacific's bill to NCPA, such nonpayment shall constitute a
8 default by NCPA and such NCPA Member Customer. If any part
9 of such debt, liability or obligation is not so paid, then
10 NCPA shall furnish to Pacific within 5 days after such 30
11 day period an apportionment statement describing
12 (a) the date, and total amount of Pacific's bill to NCPA;
13 (b) the amount paid on such bill;
14 (c) the total amount in default; and
15 (d) allocation of the total amount in default to each
16 defaulting NCPA Member Customer, which total must equal
17 100 percent of the default.

18 Any failure by NCPA to provide an
19 apportionment statement shall not prevent Pacific from
20 pursuing any remedies provided herein or by law.

21 (ii) In the event of a default by
22 NCPA or any NCPA Member Customer upon any debt, liability or
23 obligation to Pacific, Pacific shall give written notice
24 thereof to NCPA and to each defaulting NCPA Member Customer.
25 Such default by NCPA shall also constitute a default of each
26 NCPA Member Customer for whose account the debt, liability
27 or obligation was incurred.

28 NCPA and each NCPA Member Customer

1 hereby waive, and agree not to assert any defense or
2 objection based upon failure to present any claim which may
3 be required by the Government Code insofar as the asserted
4 liability is based upon this Agreement.

5 d. In the event of default by NCPA or
6 any NCPA Member Customer, which default is not cured within
7 15 days after service of notice of default, Pacific may
8 immediately avail itself of any of the following remedies at
9 its option:

10 (i) Pacific may by written notice
11 to NCPA and such NCPA Member Customer terminate this
12 Agreement as to such NCPA Member Customer, which termination
13 shall not impair any claim which has accrued to Pacific
14 against NCPA or such NCPA Member Customer prior to the
15 termination, except that Pacific will not terminate this
16 Agreement under this paragraph so long as the provisions of
17 Subsections 9.12.2 and 9.12.3 have been fully complied with
18 by NCPA and each NCPA Member Customer.

19 (ii) Pacific may discharge the
20 default and satisfy NCPA's indebtedness from a security
21 interest (as that term is used in the Uniform Commercial
22 Codes of the State of California) to be provided by NCPA
23 under this Agreement as follows ("NCPA additional
24 security"):

25 (a) NCPA shall furnish NCPA
26 Additional Security before the Effective Date of this
27 Agreement, for the term of the Agreement, except as provided
28 in subparagraph (e).

1 (b) NCPA's Additional
2 Security shall consist of one of the following:

- 3 - A \$25 million performance bond, executed by a
4 consortium of corporate sureties satisfactory to
5 Pacific.
6 - A \$12.5 million cash pledge. The pledge will be
7 deposited by NCPA with a mutually satisfactory
8 independent escrow agent. Pacific and NCPA will agree
9 upon appropriate investments; provided, that no
10 investment will have a maturity date of more than 60
11 days. All interest earned, less costs of administering
12 the escrow account, will be paid to NCPA. In the event
13 that Pacific notifies the escrow agent that NCPA or any
14 NCPA Member Customer has defaulted and that such
15 default has not been cured as specified by this
16 Section 9.5, the escrow agent shall liquidate the
17 investments to the extent necessary to satisfy such
18 default up to and including the total amount of the
19 Additional Security.
20 - A security interest in collateral to consist of a \$12.5
21 million pledge of publicly traded negotiable securities
22 with a Standard and Poor's A rating and/or United
23 States Government Securities. The collateral will at
24 all times be in the possession of Pacific and the
25 security interest will be governed by Division IX of
26 the Uniform Commercial Code of the State of California.

27 (c) NCPA's Additional Secu-
28 rity must be satisfactory to Pacific in both form and

1 substance. The parties may mutually agree to substitute one
2 form of NCPA Additional Security for another. NCPA
3 Additional Security shall be furnished at all times during
4 the term of this Agreement, except as provided in
5 subparagraph (e).

6 (d) Pacific shall not
7 discharge the default or satisfy the debt from NCPA
8 Additional Security to the extent that and so long as the
9 provisions of Subsections 9.12.2 and 9.12.3 have been fully
10 complied with by NCPA and each NCPA Member Customer.

11 (e) NCPA and each NCPA Member
12 Customer hereby waive, and shall not exercise any rights
13 they might otherwise have to apply to the FERC pursuant to
14 Section 206 of the Federal Power Act to seek termination of
15 this NCPA Additional Security requirement until the
16 expiration of five years after the Effective Date of this
17 Agreement. If NCPA then seeks termination of the NCPA
18 Additional Security requirement, Pacific shall be entitled,
19 within 30 days of NCPA's filing, to file a request for
20 further change which will preserve for each party the
21 balance of benefits established by the Interconnection
22 Agreement. Pacific shall be entitled to oppose any
23 application by NCPA or its Member Customers for termination
24 of NCPA Additional Security and NCPA shall be entitled to
25 oppose any application by Pacific for further change.
26 Neither party shall be barred by the Sierra-Mobile doctrine.
27 Both parties shall request that the FERC determine in a
28 single proceeding the justness and reasonableness of the

1 requested modifications and place the resultant
2 determination in effect pursuant to the provisions of
3 Section 206 of the Federal Power Act.

4 (f) Pacific may avail itself
5 of any other remedies provided herein or by law with respect
6 to any unsatisfied portion of the debt.

7 (iii) Pacific may bring a civil
8 action in any court of competent jurisdiction against NCPA
9 and/or any NCPA Member Customer in default.

10 e. The obligations of this Subsection
11 9.5.3 are incurred by NCPA and each NCPA Member Customer for
12 the benefit of Pacific as security for payment of amounts
13 due it under this Agreement, and shall commence and continue
14 to exist and be honored by NCPA Member Customers to the same
15 extent that NCPA is obligated under this Agreement.

16 f. Each NCPA Member Customer shall
17 make payments under this Agreement from the Revenues (as
18 defined below) of, and as an operating expense of, its
19 Electric System (as defined below). Such payments shall be
20 made in full notwithstanding the suspension, interruption,
21 interference, reduction or curtailment of any NCPA Project
22 output, or the services contracted for in whole or in part,
23 for any reason whatsoever, except to extent that such
24 suspension, interruption, interference, reduction or
25 curtailment is due solely to Pacific's gross negligence.
26 Such payments are not subject to any reduction, whether by
27 offset or otherwise, and are not conditioned upon
28 performance by NCPA or by any other Member Customer under

1 this Agreement, or upon performance by NCPA, any NCPA Member
2 Customer or by any third party under any other agreement.
3 Nothing herein shall be construed as prohibiting an NCPA
4 Member Customer from using any other funds and revenues for
5 purposes of satisfying any provisions of this Agreement.

6 "Electric System" means all properties
7 and assets, real and personal, tangible and intangible, of
8 an NCPA Member Customer now or hereafter existing, used or
9 pertaining to the generation, transmission, transformation,
10 distribution and sale of electric power and energy,
11 including all additions, extensions, expansions,
12 improvements and betterments thereto and equipments thereof;
13 provided, that to the extent an NCPA Member Customer is not
14 the sole owner of an asset or property, only that Customer's
15 ownership interest in such asset or property shall be
16 considered to be part of its Electric System. Further, as
17 used herein "Revenues" means all income, rents, rates, fees,
18 charges, and other moneys derived by an NCPA Member Customer
19 from the ownership or operation of its Electric System,
20 including, without limiting the generality of the foregoing,
21 (i) all income, rents, rates, fees, charges, or other moneys
22 derived from the sale, furnishing, and supplying of the
23 electric power and energy and other services, facilities,
24 and commodities sold, furnished, or supplied through the
25 facilities of the Electric System, (ii) the earnings on and
26 income derived from the investment of such income, rents,
27 rates, fees, charges or other moneys to the extent that the
28 use of such earnings and income is not limited by or

1 pursuant to law to the Electric System, and (iii) the
2 proceeds derived by the NCPA Member Customer directly or
3 indirectly from the sale, lease or other disposition of a
4 part of the Electric System as permitted hereby, but the
5 term "Revenues" shall not include customers' deposits or any
6 other deposits subject to refund until such deposits have
7 become the property of the NCPA Member Customer.

8 g. No NCPA Member Customer shall be
9 liable under this Agreement for the debts of any other NCPA
10 Member Customer, except if and to the extent that any NCPA
11 Member Customer's financial obligations to NCPA and/or
12 NCPA's Additional Security furnished under this paragraph
13 may be construed to provide for such liability.

14 h. Each NCPA Member Customer covenants
15 and agrees to establish and collect fees and charges for
16 electric power furnished through facilities of its Electric
17 System sufficient to provide Revenues adequate to meet its
18 obligation under this Agreement and to pay any and all other
19 amounts payable from or constituting a charge and lien upon
20 any or all such Revenues. Each NCPA Member Customer
21 covenants and agrees that it shall, at all times, operate
22 the properties of its Electric System and the business in
23 connection therewith in an efficient manner and at
24 reasonable cost and shall maintain its Electric System in
25 good repair, working order, and condition.

26 i. NCPA and each NCPA Member Customer
27 covenants and agrees that it will do nothing, including, but
28 not limited to, amending, modifying or otherwise changing,

1 or rescinding any agreement to which it is a party if that
2 would jeopardize or make more difficult to enforce Pacific's
3 rights against NCPA and NCPA Member Customers for payment of
4 any debt, liability or obligation to Pacific under this
5 Agreement.

6 j. Each NCPA Member Customer covenants
7 and agrees that it will perform as required of it by this
8 Agreement and by the Member Agreement and any other
9 agreement between it and NCPA insofar as any such agreements
10 affect NCPA's ability promptly to pay Pacific amounts due
11 under this Agreement or otherwise perform its obligations
12 under this Agreement.

13 k. Pacific shall be deemed an express
14 third party beneficiary of and shall have the right to
15 initiate and maintain suit to enforce this Agreement and
16 other contracts between NCPA and NCPA Member Customers to
17 the extent that the obligations of NCPA Member Customers to
18 NCPA affecting Pacific's rights under this Agreement are not
19 performed.

20 9.6 Indemnification.

21 9.6.1 Each Party as indemnitor shall hold
22 harmless and indemnify the other Parties and the directors,
23 councilmen, officers, agents and employees of such other
24 Parties against and from any and all liability for damages
25 for injuries to persons or damage to property, except as
26 provided in Subsection 9.5.2, resulting from or arising out
27 of the engineering, design, construction, maintenance or
28 operation of or the making of replacements, additions or

1 betterments to, the indemnitor's facilities. None of the
2 indemnity and hold harmless provisions set forth in this
3 paragraph shall apply to injuries or damage arising from the
4 sole negligence or willful misconduct of the indemnitee, or
5 the indemnitee's directors, commissioners, councilmen,
6 officers, employees, agents, or independent contractors who
7 are directly responsible to said indemnitee.

8 9.6.2 Each Party as indemnitor shall hold
9 harmless and indemnify the other Parties and the directors,
10 commissioners, councilmen, officers, agents, employees and
11 independent contractors of such other Parties from all
12 claims by, or liability to, any resale or ultimate consumer
13 of the indemnifying Party, for any loss, injury or damage
14 occurring within the boundaries of the Service Area of the
15 indemnifying Party resulting from an electric disturbance on
16 such other Party's system, whether or not such electric
17 disturbance results from negligence of such other Party. As
18 used herein, the term "ultimate consumer" means an electric
19 customer to which power is delivered for use and not for
20 resale.

21 9.7 Effect on Other Contracts. This Agreement shall,
22 on its Effective Date, supersede any other transmission or
23 power sale contract between Pacific and NCPA.

24 9.8 Uncontrollable Forces. Except as herein
25 designated, neither Party shall be liable to the other for
26 failure to perform its obligations hereunder, except for the
27 obligation to make payment of money, if such failure is due
28 to strikes, lockouts, labor disturbances, revocations of

1 land rights, riots, war, acts of God, or the public enemy,
2 unavoidable accidents or other matters beyond reasonable
3 control of the Party so obligated, whether similar to the
4 matters herein enumerated or not. Nothing in this Agreement
5 shall require a Party to settle any strike or labor dispute
6 or to accept any term or condition of financing arrangements
7 or regulatory authority approvals which that Party deems
8 unreasonable or burdensome.

9 9.9 No Dedication of Facilities. Any undertaking by
10 one Party to another Party, under any provision of this
11 Agreement shall not constitute the dedication of that
12 Party's system, or any portion thereof, to the other Party
13 or to the public, nor affect the status of any Party as an
14 independent electric system. With respect to dedication of
15 facilities, any service by one Party to another is rendered
16 strictly as an accommodation.

17 9.10 Titles. All indexes, titles, subject headings,
18 section titles and similar items are provided for the
19 purpose of convenience and are not intended to be inclusive,
20 definitive, or affect the meaning of the contents of this
21 Agreement or the scope thereof.

22 9.11 Regulatory Authority. This Agreement is subject
23 to the jurisdiction of those regulatory authorities having
24 jurisdiction over the Parties and this Agreement. Pacific
25 recognizes its responsibility to file this Agreement with
26 FERC as a rate schedule in a timely manner, to prosecute
27 proceedings thereon diligently, and similarly to file
28 amendments, including revisions to Appendices, as they are

1 made. The Parties hereto shall take all reasonable action
2 necessary to secure approval by FERC of this Agreement in
3 its entirety and without change; provided, that except as
4 provided in Section 9.3 NCPA is not precluded hereby from
5 challenging the charges made for sales or services as set
6 forth in Appendix A.

7 9.12 Billing and Payment.

8 9.12.1 All billing statements and compensation
9 as required by this Agreement, shall reflect the period from
10 0001 hours on the first day of each calendar month until
11 2400 hours on the last day of that calendar month.

12 9.12.2 Payment by any Party for all services
13 and products specified herein shall be made in accordance
14 with the general terms and conditions of the appropriate
15 rate schedule or applicable portion of this Agreement. Each
16 Party shall pay all bills submitted by the other Party
17 pursuant to this Agreement within 30 days of receipt of such
18 bills unless contested. If a bill is contested, the Party
19 billed will pay the uncontested portion within 30 days of
20 receipt of the bill and shall advise the other Party of the
21 amount and basis for the contested portion. A dispute
22 between an NCPA Member Customer and Pacific, an NCPA Member
23 Customer and a Third Party, an NCPA Member Customer and
24 NCPA, a customer of Pacific and NCPA, a customer of Pacific
25 and a Third Party, and a customer of Pacific and Pacific
26 shall not be a proper basis for contesting a billing. Any
27 contested portion of a bill which is not resolved within 60
28 days shall be paid by the contesting party or deposited in a

1 mutually satisfactory escrow company. The Parties agree
2 that the payee shall have the right to manage any such
3 escrow account.

4 9.12.3 Unless otherwise mutually agreed, any
5 bills not paid in full or not deposited into an escrow
6 account pursuant to Subsection 9.12.2. by the due date will
7 thereafter be adjusted to bear an interest charge. The
8 interest charge will be compounded monthly on the unpaid
9 amount of the bill based upon an interest rate equal to:
10 (i) the first of the month prime rate of the Bank of America
11 N.T. and S.A. corresponding to the period of adjustment, or
12 (ii) the maximum rate permitted by law, whichever is less.
13 The monthly interest rate will be prorated by days from the
14 payment due date until the date the payment is received.

15 9.12.4 NCPA shall pay Pacific the Costs of
16 constructing or reinforcing facilities, if so required by
17 Pacific, as follows:

18 a. At least 60 days prior to the date
19 on which Pacific will be required to commence payment of any
20 Costs due to construction or reinforcement of facilities
21 Pacific shall send NCPA:

22 i. its estimates of all Costs,
23 broken down by major activities, which it will incur; and

24 ii. a schedule indicating the
25 approximate dates when Pacific expects to pay such Costs for
26 each major activity included in the estimate.

27 b. NCPA shall pay each amount
28 specified in the estimate described in Paragraph 9.12.4a for

1 each major activity not less than 30 days before the date on
2 which Pacific expects to pay each such amount.

3 c. Pacific shall provide NCPA a final
4 accounting of the Cost of constructing such reinforcements
5 within a reasonable time after the completion of facilities
6 being constructed or reinforced. As part of such final
7 accounting, Pacific shall adjust the Cost estimate provided
8 in this Subsection 9.12.4 as necessary to reflect any
9 difference between the estimated and actual Costs of making
10 such reinforcements. Any payment or refund shall be made as
11 soon as practicable in accordance with this Section.

12 d. NCPA shall have the right to review
13 the supporting documents upon which the Costs specified in
14 Paragraph 9.12.4c are determined up to two years after
15 receipt of the final accounting. If NCPA believes there are
16 any errors in the determination of such Costs, NCPA shall
17 pay the full amount of such Costs and NCPA and Pacific shall
18 meet to review the supporting documents and agree on the
19 adjustments that may be appropriate.

20 e. NCPA may elect to specify, in
21 advance of its first payment of the Costs of constructing or
22 reinforcing facilities, the basis on which the payments will
23 be made as to any transaction. The options available to
24 NCPA are: refundable advance, non-refundable advance,
25 ownership with leaseback, or any other method mutually
26 agreed to by the Parties. Specific terms and conditions
27 including associated compensation to NCPA for the basis
28 selected will be agreed to prior to the first payment as to

1 any transaction. In the event NCPA elects a basis other
2 than a non-refundable advance, the Parties recognize that
3 uncertainties in tax treatment of the payments are such that
4 undesirable tax consequences to Pacific could occur, and
5 NCPA therefore will indemnify and hold Pacific harmless for
6 all tax liability, as determined pursuant to applicable tax
7 law at time of election, arising as a result of such
8 payments as provided in this Section 9.12.

9 9.13 Engineering and Operating Committee.

10 9.13.1 NCPA and Pacific shall establish an
11 "Engineering and Operating Committee." The Committee shall
12 consist of two representatives designated in writing by each
13 such Party. Each such Party shall also designate an
14 alternate who may act instead of a representative at the
15 option of that Party. Either such Party may at any time
16 change its representatives or alternate on the Committee and
17 shall promptly notify the other such Party of any change in
18 designation. Any representative, by written notice to the
19 other Party, may authorize his alternate to act temporarily
20 in his place. Each member of the Committee may invite other
21 members of his organization or others, as his advisors, to
22 attend meetings of the Committee. The Committee shall elect
23 a chairman each Year that shall alternate between the
24 Parties.

25 9.13.2 The expenses of the members of the
26 Committee, their alternates and advisors shall be borne by
27 the Party they represent. Expenses incurred by the
28 Committee in addition to those herein above mentioned shall

1 be shared in a just and reasonable manner agreed to by the
2 Parties. The sharing of such expenses shall be agreed to
3 prior to the time that such additional expenses are
4 incurred.

5 9.13.3 Each Year following Pacific's review of
6 NCPA's planning forecast submitted pursuant to Section 7.5
7 or upon the call of either Party, the Committee shall meet
8 in cooperation with Pacific's transmission planning staff to
9 discuss the availability of transmission service requested
10 by NCPA. Such matters shall include but not be limited to
11 the following:

12 a. The Committee shall examine
13 potential alternatives to provide NCPA's requested
14 transmission service.

15 b. The Committee shall determine the
16 necessary studies that need to be performed and the manner
17 in which the Cost of such studies shall be allocated.

18 c. In the event studies are required
19 as a result of an NCPA request for transmission service,
20 NCPA may elect to make the studies in coordination with
21 Pacific and the Parties will mutually agree on the
22 parameters for the studies.

23 d. For studies conducted by Pacific
24 for which NCPA provides compensation, Pacific and NCPA will
25 agree initially on the scope of such studies, study
26 parameters, and the compensation required from NCPA.
27 Pacific agrees to provide NCPA with written monthly progress
28 reports, unless agreed otherwise. Subsequent changes to the

1 study scope will be agreed to by NCPA.

2 9.13.4 The Committee shall meet when such
3 studies are completed and based on these studies, agree upon
4 a plan for providing NCPA's requested Firm Transmission
5 Service. The criteria for selecting such a plan shall be
6 Good Utility Practice.

7 9.13.5 The Committee shall meet upon the call
8 of either Party.

9 9.13.6 From time to time, to meet changing
10 conditions, the Committee shall be responsible for reviewing
11 and recommending operating procedures, standard practices
12 and other matters affecting the interconnected operation of
13 the Parties' respective systems. Such matters shall include
14 but not be limited to the following:

15 a. Examine and make recommendations on
16 future Interconnections in order to: 1) ensure that the
17 proposed Interconnection will be consistent with Good
18 Utility Practice, 2) determine necessary additions or
19 modifications to equipment or operating procedures to ensure
20 that Pacific's system reliability and service to its
21 customers will not be adversely affected, and 3) determine
22 the allocation of Costs associated with the above additions
23 or modifications.

24 b. Review and recommend arrangements
25 for metering, communication, scheduling, and dispatching
26 which may be necessary for the interconnected operation of
27 the Parties' respective systems.

28 c. Establish administrative and

1 billing procedures which may be necessary for implementing
2 various provisions of this Agreement.

3 9.13.7 The Committee shall have no authority to
4 modify any of the provisions of this Agreement. All
5 actions, recommendations and reports shall become effective
6 when signed, or otherwise approved, by all members of the
7 Committee. Each Party's representatives shall be afforded
8 ample time to review relevant details prior to finalization
9 of any action, recommendation or report and may request up
10 to 30 days to review the material to be finalized.

11 9.14 Settlement of Disputes and Arbitration. The
12 Parties agree to make best efforts to settle all disputes
13 between the Parties connected with this Agreement as a
14 matter of normal business under this Agreement.
15 Notwithstanding any other provision in this Agreement, the
16 Parties hereby agree to the following procedure for recourse
17 in the event any such disputes exclusive of rate matters are
18 not settled.

19 9.14.1 All such disputes will be submitted to
20 the Committee. If all Parties cannot agree, either Party
21 may refer the dispute to the Management Committee for
22 settlement. All disputes referred to the Management
23 Committee shall be settled by the Management Committee as
24 soon as possible but in no case later than 45 days after
25 submission of the dispute to the Management Committee,
26 unless agreed to by both Parties. Before the end of the
27 required time period, the Parties agree to prepare offers of
28 settlement for consideration by the Management Committee,

1 and in the event that a dispute is not settled within the
2 required time period, or at any time upon mutual agreement,
3 the Parties shall submit a final written offer to binding
4 arbitration.

5 9.14.2 A single arbitrator with an acceptable
6 understanding of the utility industry will be selected by
7 the American Arbitration Association within 15 days after
8 the two final offers are available. Within 30 days after
9 selection, unless upon application of the arbitrator an
10 extension is granted by both Parties, the arbitrator will
11 accept one of the two offers, and the Parties hereby agree
12 to be bound by that decision. After the decision by the
13 arbitrator, both Parties shall immediately take whatever
14 action is required to comply with the accepted offer. Any
15 and all costs associated with the arbitration shall be borne
16 by the Party sponsoring the rejected offer.

17 9.14.3 In the event of a dispute over proper
18 application of Good Utility Practice, the Arbitrator shall
19 determine which Party's final offer more reasonably
20 represents Good Utility Practice. If the disputed matter
21 does not clearly involve the application of Good Utility
22 Practice, the Arbitrator shall determine which Party's final
23 offer more reasonably applies the standards of this
24 Agreement or, absent standards, which Party's final offer
25 was more reasonable. The Arbitrator shall specifically
26 consider all factors relevant to the reasonableness of the
27 Parties' final offers, including, but not limited to the
28 facts known to the party at the time of action complained

1 of, the amount of time available in which to act or decide,
2 the urgency or emergency nature of the act, existing
3 contractual arrangements and the nature and extent of the
4 Party's perceived risks to the reliability, and safety of
5 its electrical system, and other factors relevant under the
6 circumstances. Nothing contained herein shall permit the
7 Arbitrator to waive, or change any of the provisions of this
8 Agreement, including this Section 9.14.

9 9.15 Appendices. Appendices A through F attached
10 hereto and as modified from time to time by the Parties are
11 made an express part of this Agreement.

12 9.16 Assignment. No assignment of all or any part of
13 this Agreement shall be effective by any Party without the
14 written consent of the other Parties.

15 9.17 New NCPA Member Customers. In the event an entity
16 wishes to become an NCPA Member Customer and NCPA wishes to
17 extend to that entity services available to NCPA under this
18 Agreement, NCPA shall so advise Pacific and request that
19 this Agreement be amended to achieve this and to make that
20 entity a Party. The Parties will thereafter consider any
21 special terms which may appear appropriate to such an
22 amendment, and upon mutual agreement with such special terms
23 Pacific will proceed promptly to make such an amendment and
24 amend the list of Delivery Points in Appendix A to
25 accommodate such changes in NCPA membership. Agreement to
26 make any such amendments, if required, to this Agreement
27 shall not be unreasonably withheld by any Party.

28 9.18 Non-Waiver. Failure to enforce any right or

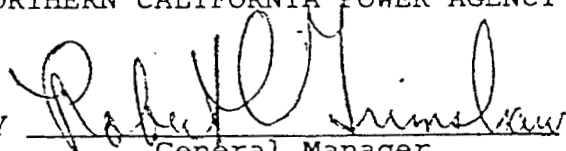
1 obligation by either Party with respect to any matter
2 arising in connection with this Agreement shall not
3 constitute a waiver as to that matter or any other matter.

4 9.19 Execution By Counterpart. This Agreement may be
5 executed by each Party signing a counterpart. All
6 counterparts shall be sent to Pacific, in the manner
7 provided for giving of notices, and the Agreement shall be
8 deemed executed as of the day Pacific has received all
9 counterpart copies. Thereupon Pacific will enter that date
10 on the first page of this Agreement and forward to each
11 Party a fully conformed copy of the Agreement.

12 IN WITNESS WHEREOF, the Parties have caused this
13 Agreement to be executed the day and Year first above
14 written.

15
16 NORTHERN CALIFORNIA POWER AGENCY

17
18 [attest]

19
20 By  General Manager

21 PACIFIC GAS AND ELECTRIC COMPANY

22 [attest]

23 By _____
24 President

25 CITY OF ALAMEDA

26 [attest]

27 By _____
28 Authorized Representative

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CITY OF BIGGS

[attest]

By _____
Authorized Representative

CITY OF GRIDLEY

[attest]

By _____
Authorized Representative

CITY OF HEALDSBURG

[attest]

By _____
Authorized Representative

CITY OF LODI

[attest]

By Earlyn M. Olson
Authorized Representative
Mayor

Alice M. Bismarck
City Clerk

CITY OF LOMPOC

[attest]

By _____
Authorized Representative

CITY OF PALO ALTO

[attest]

By _____
Authorized Representative

CITY OF ROSEVILLE

[attest]

By _____
Authorized Representative

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CITY OF UKIAH

[attest]

By _____
Authorized Representative

PLUMAS SIERRA RURAL ELECTRIC
COOPERATIVE

[attest]

By _____
Authorized Representative

APPENDIX A

Part I.

The Parties hereby agree that the services set out below and described more fully in the attached Interconnection Agreement shall be provided to NCPA by Pacific at the rates and pursuant to the terms and conditions specified below. However, the Parties agree that this Appendix A shall not be deemed to amend, modify, or define any of the terms or conditions of the Interconnection Agreement. Should any of the provisions of this Appendix A be in conflict or inconsistent with the terms or conditions of the Interconnection Agreement, the terms and conditions of the Interconnection Agreement shall control.

The rates, rate formulas and rate principles specified in this Appendix A have been developed through detailed negotiations between the Parties. In recognition of this effort and its successful conclusion, the Parties hereby agree that rates, and rate formulas specified in this Appendix A are not subject to challenge by either Party. The rate and accounting principles specified in this Appendix A shall be deemed to underlie the

various rates specified or established pursuant to this Appendix A. Such rate and accounting principles shall be subject to challenge prospectively only, as of the effective date of a rate increase from the rate levels for 1985 specified in this Appendix A. The Parties agree to make every effort to ensure acceptance by the FERC of the Interconnection Agreement and this Appendix A as proposed.

The rate agreement reached by the Parties consists of five elements. First, the Parties hereby agree on initial rates to be effective as of the Effective Date of the Interconnection Agreement for the following new services to be provided by Pacific to NCPA: Partial Requirements Power Service (Schedule A); Emergency Power Service (Schedule B), Maintenance Power Service (Schedule C); Short-Term Firm Power Service (Schedule D); Geysers Curtailment Power Service (Schedule E); Firm Transmission Service (Schedule G); Interruptible Transmission Service (Schedule H); and Reserve Service (Schedule I). In addition, the Parties have agreed that Pacific will make available to NCPA the following services pursuant to the appropriate terms and conditions in the Interconnection Agreement: Curtailment Power Service (Schedule F); Station Use Service for NCPA Projects (Schedule J); and Power Factor Correction Service (Schedule K).

Second, the Parties have agreed on a formula and a mechanism which will yield an increase in the initial rate level of Rate Schedules A through I and K to be effective as of January 1, 1984, or such other date as the California Public Utilities Commission (CPUC) may set for the general increase of Pacific retail rates pursuant to CPUC Application No. 82 12 48 (1984 test year).

Third, the Parties have agreed to a formula and a mechanism which will yield a further increase in the rate level of rate Schedules A through I and K to be effective as of January 1, 1985, or such other date as the CPUC may set for a 1985 revenue enhancement adjustment to Pacific's retail rates.

Fourth, the Parties have agreed to formulas and mechanisms for adjusting the rate level of Rate Schedules A through I and K reflect all retail base rate adjustments authorized by the CPUC including but not limited to recognition of the Costs associated with the Diablo Canyon and Helms Creek generating units, as of the dates that Pacific's retail rates are adjusted by the CPUC to reflect such Costs, should the CPUC act prior to January 1, 1986.

Fifth, the Parties have agreed to a fuel cost adjustment mechanism (FCA) to be filed with the FERC.

Part II.

RATE SCHEDULES - 1983

The Parties hereby agree to the following initial rates for the services described. It is further understood and agreed that the following initial rates shall be effective as of the Effective Date of the Interconnection Agreement and shall remain in effect, except as provided in Part V, below, until January 1, 1984 or such other date as the CPUC may set for the general increase of Pacific's retail rates pursuant to CPUC Application No. 82 12 48 (1984 test year).

1. Partial Requirements Power Service - Rate Schedule A

Rate Schedule A is applicable to sales by Pacific to NCPA of Partial Requirements Power to meet any portion of the NCPA Member Customers' load requirements which cannot be met by capacity and energy from NCPA Projects or purchases from Third Parties as described in Section 5.2 of the Interconnection Agreement. This schedule is also applicable for Partial Requirements Power service provided to NCPA pursuant to

Paragraph 5(F) and 5(G) of Exhibit 1 of Appendix E. The initial rates for this service are:

Customer Charge

to NCPA: \$85,250/month

Billing Demand

Charge: \$5.955/kW-mo

Energy Charge: First 510 kWh per kW \$0.00387/kWh + FCA
Over 510 kWh per kW 110% (\$0.00387 + FCA)/kWh

1.1 In the event Pacific is required to purchase capacity and energy pursuant to Subsection 5.2.4 of the Interconnection Agreement to meet NCPA's requirements under this Appendix A at Costs higher than provided in filed rate schedules applicable to NCPA, and informs NCPA of such a requirement, NCPA shall pay the Cost for such capacity and energy if NCPA agrees to accept such power.

1.2 The customer charge is based on customer related Costs and the fixed Costs associated with NCPA's exclusive and/or allocated use of Pacific's distribution and transmission facilities utilized to serve the Delivery Points for Alameda, Healdsburg, Lodi, Lompoc, and Ukiah. Any change or addition to these Delivery Points may result, at Pacific's option, in Pacific's

application under Section 205 of the Federal Power Act
for new customer charge to reflect any corresponding
change in facilities.

- 1.3 Prior to January 1, 1984, the billing Demand shall be NCPA's adjusted actual Demand as defined in Paragraph VII.1.1.2 below.
- 1.4 For application of this Partial Requirements Power rate, the energy sold in any month is allocated to one of two energy blocks; the first is the amount of energy up to and including 510 kWh per kW of billing Demand, and the second is the energy in excess of 510 kWh per kW of billing Demand.
- 1.5 The minimum charge per month for the services provided by this Partial Requirements Power Rate Schedule shall be the sum of: the customer charge plus the product of the billing Demand charge and billing Demand as determined according to Paragraph VII.1.1 plus the product of energy charges and the energy amount supplied by Pacific as determined according to Subsection VII.1.2 below.

2.

Emergency Power Service - Rate Schedule B

Rate Schedule B is applicable to sales by Pacific to NCPA of Emergency Power at Delivery Points and at Pacific's Interconnection with NCPA Projects during Forced Outages or unscheduled outages of transmission facilities or of a contracted Firm Power supply for periods not to exceed 48 hours as provided in Section 5.4 of the Interconnection Agreement. Emergency Power is not available for station use at NCPA Projects. The initial rate for this service is:

Energy Charge:	Incremental Fuel Cost
Demand Charge:	None
Transmission Charge	:
	If applicable, according to Subsection II.2.1 below.

- 2.1 Emergency Power service is available beginning with each outage for the shorter of the following periods of time: 1) duration of the outage; or 2) 48 consecutive hours. The amount of Emergency Power available to NCPA is limited by Subsection 5.4.2 of the Interconnection Agreement. NCPA shall only receive Emergency Power that has been scheduled by NCPA within 10 minutes after an outage has occurred except as provided in Subsection

VII.3.3 of this Appendix A. NCPA shall be able to modify such schedule according to Appendix E.

2.2 The incremental fuel Cost shall equal 110 percent of Pacific's total expenses per kWh including, if incurred: 1) the cost of starting up, bringing on line and operating its most economical thermal generating unit which is available to the system but is not, at the time of the NCPA outage, being utilized to meet Pacific's system load and contractual obligations; or 2) the Cost of energy and capacity purchased by Pacific to supply NCPA's emergency needs, as determined by Pacific's system dispatcher.

2.3 A transmission charge associated with Emergency Power Service, as determined and described below, may be added to the energy charge to reflect the additional transmission service provided by Pacific in delivering Emergency Power to the Delivery Points. The existence and magnitude of such transmission charge depends on the resource for which the Emergency Power is purchased and the Firm Transmission Service functions for which NCPA has contracted in connection with each such resource pursuant to Section 6.2 of the Interconnection Agreement.

The rates for transmission service provided in conjunction with Emergency Power Service shall be as follows:

- a. For resources where area, backbone and generation tie Firm Transmission Service functions are contracted for:

Transmission Charge: \$0.00000/kWh

- b. For resource where area and backbone Firm Transmission Service functions are contracted for.

Transmission Charge: \$0.00124/kWh

- c. For resource where only area Firm Transmission Service function is contracted for:

Transmission Charge: \$0.00258/kWh

- d. For resource where no Firm Transmission Service function is contracted for (such as generation internal to NCPA Member Customer's load):

Transmission Charge: \$0.00482/kWh

3. Maintenance Power Service - Rate Schedule C

Rate Schedule C is applicable to sales by Pacific to NCPA of Maintenance Power provided during periods when the output of any NCPA Project or NCPA Unit located within the Transmission Area is unavailable due to a Scheduled Maintenance Outage or scheduled transmission outage as described in Section 5.7 of the Interconnection Agreement. The amount of Maintenance Power provided shall not be greater than the Capacity Rating of the NCPA projects or NCPA Units on Scheduled Maintenance Outages. NCPA shall schedule such Maintenance Power in accordance with Appendix E, except as provided in Subsection VII.3.3. The initial rate for this service is:

Demand Charge: \$0.196/kW-day

Energy Charge: First 16.8 kWh per kW-day \$0.00387/kWh + FCA
Over 16.8 kWh per kW-day 110% (\$0.00387 + FCA)/kWh

Transmission

Charge : If applicable, according to Subsection II.3.1 below.

3.1 A transmission charge associated with Maintenance Power Service, as determined and described below, may be added to the Demand charge to reflect the additional transmission service provided by Pacific in delivering Maintenance Power to the Delivery Points. The

existence and magnitude of such transmission charge depends on the resource for which the Maintenance Power is purchased and the Firm Transmission Service functions for which NCPA has contracted in connection with each such resource pursuant to Section 6.2 of the Interconnection Agreement.

The rates for transmission service provided in conjunction with Maintenance Power Service shall be as follows:

- a. For resources where area, backbone and generation tie Firm Transmission Service functions are contracted for:

Transmission Charge: \$0.00000/kW-day

- b. For resource where area and backbone Firm Transmission Service functions are contracted for:

Transmission Charge: \$0.0131/kW-day

- c. For resource where only area Firm Transmission Service function is contracted for:

Transmission Charge: \$0.0355/kWh-day

- d. For resource where no Firm Transmission Service function is contracted for (such as generation internal to NCPA Member Customer's load):

Transmission Charge: \$0.0692/kW-day

- 3.2 In the event Pacific determines it is necessary to purchase capacity and energy to meet NCPA's forecasted Maintenance Power requirement under this Appendix A at the time NCPA coordinates its Scheduled Maintenance Outages pursuant to Section 7.3, or supply Maintenance Power for an extension of NCPA's Scheduled Maintenance Outage, at Costs higher than provided in filed rate schedules applicable to NCPA, and informs NCPA of such a requirement and NCPA agrees to accept such power, NCPA shall be required to pay the Costs for such capacity and energy.

- 3.3 NCPA shall schedule Maintenance Power in accordance with Appendix E, except as provided by Subsection VII.3.3 of this Appendix A.

4. Short-Term Firm Power Service - Rate Schedule D

Rate Schedule D is applicable to sales by Pacific to NCPA of capacity and energy for resale to NCPA Member Customers where

the need for such capacity and energy is caused by a Forced Outage of NCPA generation, transmission facilities or a contracted Firm Power supply and to the extent that such outage exceeds 48 hours of continuous duration as described in Section 5.3 of the Interconnection Agreement. The initial rates for this service are:

Demand Charge : \$0.196/kW-day
Energy Charge : 110% (\$0.00387 + PCA)/kWh
Transmission Charge: If applicable, according to
Subsection II.4.1 below.

4.1 A transmission charge associated with Short-Term Firm Power Service, as determined and described below, may be added to the Demand charge to reflect the additional transmission service provided by Pacific in delivering Short-Term Firm Power to the Delivery Points. The existence and magnitude of such transmission charge depends on the resource for which the Short-Term Firm Power is purchased and the Firm Transmission Service functions for which NCPA has contracted in connection with each such resource pursuant to Section 6.2 of the Interconnection Agreement.

The rates for transmission service provided in conjunction with Short-Term Firm Power Service shall be

as follows:

- a. For resources where area, backbone and generation tie Firm Transmission Service functions are contracted for:

Transmission Charge: \$0.0000/kW-day

- b. For resource where area and backbone Firm Transmission Service functions are contracted for:

Transmission Charge: \$0.0131/kW-day

- c. For resource where only area Firm Transmission Service function is contracted for:

Transmission Charge: \$0.0355/kW-day

- d. For resource where no Firm Transmission Service function is contracted for (such as generation internal to NCPA Member Customer's load):

Transmission Charge: \$0.0692/kW-day

4.2 Pursuant to Section 5.3 of the Interconnection Agreement, in the event Pacific purchases capacity and energy to meet NCPA's requirements under this Appendix A at Costs higher than provided in filed rate schedules

applicable to NCPA, and informs NCPA of such a requirement, NCPA agrees to pay the Costs for such capacity and energy provided NCPA agrees to accept such power.

- 4.3 The amount of Short-Term Firm Power cannot exceed the amount of the then available capacity and energy capability lost as a result of the outage, and shall be available only for the duration of that outage. NCPA shall schedule such Short-Term Firm Power purchases in accordance with Appendix E except as provided in Subsection VII.3.3 of this Appendix A.

5. Geysers Curtailment Power Service - Rate Schedule E

Rate Schedule E is applicable to sales by Pacific to NCPA of additional capacity and energy when Pacific requests that NCPA curtail its NCPA Initial Project generation due to transmission shortages on Pacific's Geysers-Fulton transmission line and shall be available only until completion of the Geysers-Lakeville and Lakeville-Sobrante transmission lines, as described in Section 6.2.7 of the Interconnection Agreement. The amount of Geysers Curtailment Power shall not exceed the amount of the transmission curtailment. NCPA shall schedule such Geysers Curtailment Power in accordance with Appendix E

except as provided by Subsection VII.3.3 of this Appendix A.
The initial rates for this service are:

Demand Charge: \$0.196/kW-day

Energy Charge: 110¢ (\$0.00387 + FCA)/kWh

6. Curtailment Power Service - Rate Schedule F

Rate Schedule F is applicable to sales by Pacific to NCPA of as-available, limited term, firm power for the purpose of replacing NCPA Project generation curtailments resulting from transmission limitations beyond the control of the Parties, as described in Section 5.6 of the Interconnection Agreement. This service is not currently available and will be made available upon request but subject to the 72 months advance written notice provided in Subsection 6.2.2 of the Interconnection Agreement. Should such notice be given by NCPA, the Parties agree that Pacific shall file a rate schedule for this service. Pacific may elect to file such rate as an initial rate within the meaning of Sections 2.4, 35.1 and 35.12 of the FERC's Regulations. NCPA may elect to challenge such rate and to object to its proposed acceptance by the FERC as an initial rate schedule. However, in initiating or pursuing such challenge, NCPA shall strictly limit its arguments to the circumstances surrounding its or its members relationship, or

lack thereof, to Pacific prior to the Effective Date of the Interconnection Agreement. Service to NCPA by Pacific under any of the rate schedules made effective as of the Effective Date of the Interconnection Agreement shall not be considered, for precedential purposes, in determining whether Rate Schedule F shall be considered an initial rate schedule within the meaning of the FERC's Regulations. The Parties shall assume that Rate Schedule F is effective as of the Effective Date of the Interconnection Agreement for purposes of argument with regard to Rate Schedule F's status as an initial rate schedule within the meaning of the FERC's Regulations.

7. Firm Transmission Service - Rate Schedule G

Rate Schedule G is applicable to NCPA's forecasted and contracted Firm Transmission Service provided by Pacific to Delivery Points from Points of Receipt as described in Section 6.2 of the Interconnection Agreement. The initial rates for this service are:

Generation Tie:	\$0.399/kW-mo
Backbone :	\$0.682/kW-mo
Area :	\$1.026/kW-mo

7.1 Firm Transmission Service is provided for the contract amount of Firm Power dedicated to NCPA Member

Customers from NCPA Projects, purchases from Third Parties except Western, contract amount for Firm Power sales to Third Parties, and the amount forecasted with the Partial Requirements Power from Pacific from the Points of Receipt to the Delivery Points as shown in Exhibit A-4 of this Appendix A.

- 7.2 NCPA will be billed for each of the generation tie, backbone and area transmission functions for the sum of the following amounts adjusted for losses to the input level of the appropriate transmission functions: 1) the contract amount of Firm Power dedicated to NCPA Member Customers from NCPA Projects plus 2) the contract amount of transmission for Firm Power purchases from Third Parties except Western plus 3) the billing Demand of NCPA's Partial Requirements Power, plus 4) the contract amount of transmission for Firm Power sales to Third Parties as determined in Subsection VII.1.1 below. The loss factor for each transmission function is shown in Exhibit A-2 of this Appendix A.

8. Interruptible Transmission Service - Rate Schedule H

Rate Schedule H is applicable to NCPA's forecasted and contracted Interruptible Transmission Service on an as-available

interruptible basis, as described in Section 6.3 of the Interconnection Agreement. The initial rates for this service are:

System Interconnection:		\$0.00016/kWh
Backbone	:	\$0.00134/kWh
Area	:	\$0.00224/kWh
Generation Tie	:	\$0.00108/kWh

8.1 Interruptible Transmission Service shall be provided pursuant to Section 6.3 of the Interconnection Agreement on a scheduled kWh basis.

8.2 NCPA will be billed for the hourly scheduled amount of service from Pacific, as adjusted for losses as provided in Exhibit A-2 of this Appendix A to the input of the appropriate transmission function.

9. Reserves Service - Rate Schedule I

Rate Schedule I is applicable to sales by Pacific to NCPA of contracted for Capacity Reserve and/or Spinning Reserve and any other Spinning Reserve provided by Pacific for NCPA's generation resources or energy purchases from Third Parties as described in Section 3.2 of the Interconnection Agreement. The initial rates

for these services are:

Capacity Reserve: \$4.000/kW-mo

Spinning Reserve: \$0.0658/kW-day

9.1 For Capacity Reserve, NCPA will be billed on the contract amount from Pacific as shown in Exhibit A-1 of this Appendix A.

9.2 The monthly billing for Spinning Reserve as required in Section 3.2 of the Interconnection Agreement is determined as follows:

9.2.1. For the portion of the daily peak Demand of NCPA Member Customers supplied by NCPA's own resources within Pacific's Control Area, NCPA is required to provide or purchase from Pacific the amount of Spinning Reserve equal to nine percent of the daily peak provided by these resources. The monthly billing for this portion of the Spinning Reserve, if purchased from Pacific is:

$$A = 0.09 \times C \times \sum_{i=1}^n P_i$$

where:

A is the monthly billing in dollars;

C is the Spinning Reserve rate;

n is the number of days in the billing month;
and

P_i is the portion of NCPA's daily peak Demand responsibility for which NCPA's Spinning Reserve is purchased from Pacific pursuant to Section 3.2 of the Interconnection Agreement.

9.2.2. For interruptible power purchased by NCPA the monthly billing for this portion of the Spinning Reserve, if purchased from Pacific is:

$$B = \frac{C}{24} \times \sum_{i=1}^2 Q_i \times F_i$$

where:

B is the monthly billing in dollars;

C is the Spinning Reserve rate; and

$Q_{1,2}$ is the amount of interruptible energy scheduled from within and/or outside the Service Area respectively for the billing month.

$F_1 = 0.09$ for interruptible energy purchased from within the Service Area for that portion of Spinning Reserves not being provided pursuant to Paragraph 9.2.1.

$F_2 = 1.0$ for interruptible energy purchased from outside the Service Area.

10. Station Use Service for NCPA Projects - Rate Schedule J

Rate Schedule J is applicable to sales by Pacific to NCPA for use at NCPA Projects in the event that such power cannot be supplied by those facilities. The rate for this service shall be the S1 rate schedule and applicable tariff on file with the CPUC, as superseded or amended from time to time. (See Exhibit A-8 attached hereto). This service shall be made available upon

request by NCPA once the appropriate contract for such service has been executed.

11. Power Factor Correction Service - Rate Schedule K

Rate Schedule K is applicable to Pacific's sale to NCPA of reactive power for purposes of power factor correction as described in Section 7.7 of the Interconnection Agreement. This service will be available pursuant to the terms and conditions of Section 7.7. Should provision of such service be necessary, Pacific, at its sole election, may either require NCPA to reimburse Pacific for all Costs necessary for power factor correction or may file a rate schedule for this service. Pacific may elect to file such rates as an initial rate, within the meaning of Sections 2.4, 35.1 and 35.12 of the FERC's Regulations. NCPA may elect to challenge such rate and to object to its proposed acceptance by the FERC as an initial rate schedule. However, in initiating or pursuing such challenge, NCPA shall strictly limit its arguments to the circumstances surrounding its or its members' relationship, or lack thereof, to Pacific prior to the Effective Date of the Interconnection Agreement. Service to NCPA by Pacific under any of the rate schedules made effective as of the Effective Date of the Interconnection Agreement shall not be considered for precedential purposes, in determining whether Rate Schedule K

shall be considered an initial rate schedule within the meaning of the FERC's Regulations. The Parties shall assume that Rate Schedule K is effective as of the Effective Date of the Interconnection Agreement for purposes of argument with regard to Rate Schedule K's status as an initial rate schedule within the meaning of the FERC's Regulations.

Part III.

RATE SCHEDULES - 1984

Excluding the FCA base fuel cost included in the base energy components of Rate Schedules A, C, D and E, the Parties hereby agree that the level of rates charged under Rate Schedules A through I and K shall be increased as described below as of January 1, 1984, or such other date as the CPUC may designate for the general increase of Pacific's retail base rates pursuant to Application No. 82 12 48 (1984 test year). The increase in rate level under Rate Schedules A through I and K contemplated pursuant to this part of Appendix A shall be derived by increasing each rate component of Rate Schedules A through I and K excluding the base fuel cost included in base energy component by the percentage increase in Existing Retail Base Rate Revenues, as defined below, authorized by the CPUC for 1984 pursuant to CPUC Application No. 82 12 48 (1984 test period).

Each of the then effective rate components of Rate Schedules A through I and K shall be adjusted as follows. Existing Retail Base Rate Revenues shall be the Base Revenue Amount as specified

in the then effective Preliminary Statement, Part E, No. 4 of Pacific's Tariff Schedules on file with the CPUC. As of June 1, 1983, the Base Revenue Amount is \$2,195,255,000 as authorized by the CPUC in Decision No. 82-12-112. Adjusted Retail Base Rate Revenues shall be the new Base Revenue Amount authorized by the CPUC. The factor determined by dividing the Adjusted Retail Base Rate Revenues by the Existing Retail Base Rate Revenues shall be used to multiply each of the then existing rate components of Rate Schedules A through I and K to determine the new rate levels of Rate Schedules A through I and K.

As used in this agreement an "Abbreviated Notice of Rate Change" shall be deemed to refer to a filing with the FERC made pursuant to Section 35.13 of the Commission's Regulations under the Federal Power Act. The undersigned agree that such Abbreviated Notice of Rate Change shall consist of: a) a filing letter containing any necessary calculations; b) the underlying CPUC order or Pacific application to the CPUC upon the adjustment in question is based; and c) such other limited data as the FERC or its staff may require. The Parties agree to request that the FERC waive the requirements of Section 35.13 to the extent that such requirements are not satisfied by the format described above.

The rate adjustments provided for pursuant to this Part III

shall be accomplished by means of an Abbreviated Notice of Rate Change to be filed with the FERC by Pacific. The effective date for 1984 Rate Schedules A through I and K increases will coincide with the date the CPUC allows the increase in retail base rates for 1984 to become effective regardless of any dispute or requirement for additional data that may arise in connection with the level of the increase at issue.

NCPA will actively support either no suspension of the effective date of the increases contemplated under this Part III or, at most, a one-day suspension. However, should NCPA elect to request a one-day suspension of this 1984 increase, it is hereby agreed that the proposed effective date of this increase will be deemed to be December 31, 1983 or one day prior to the date that retail base rates are adjusted by the CPUC, if such date should differ from January 1, 1984.

The Parties hereby agree to actively support any requests for waiver of Commission Regulations necessary to implement the increases contemplated under this Part III no later than January 1, 1984, or as of the date that retail base rates are adjusted by the CPUC, if such date should differ from January 1, 1984.

By definition, the revised rates contemplated under this Part III cannot be specified until the CPUC has issued its order

establishing Pacific's retail rates for 1984. This CPUC order is expected on or about December 31, 1983. The filing of the Abbreviated Notice of Rate Change contemplated under this Part III will, of necessity, occur after the effective date for the adjustments under this Part III agreed to by the Parties. The Parties, therefore, agree that the increase in revenues contemplated under this Part III may be collected, if necessary, by Pacific as a separately identified surcharge, retroactively to the effective date specified in this Part III.

Part IV.

RATE SCHEDULES - 1985

Excluding the FCA base fuel cost included in the base energy component of Rate Schedules A, C, D and E, the Parties hereby agree that the level of rates charged under Rate Schedules A through I and K shall be increased as described below as of January 1, 1985, or such other date as the CPUC may designate for a 1985 revenue enhancement increase of Pacific's retail base rates pursuant to Application No. 82 12 48 (1984 test year).

The increase in rate level under Rate Schedules A through I and K contemplated pursuant to this part of Appendix A shall be derived by increasing each rate component of Rate Schedules A through I and K by the percentage increase in retail base rate revenues, established pursuant to Part III and V of this Appendix A.

Each of the then effective rate components of Rate Schedules A through I and K shall be adjusted as follows. Existing Retail Base Rate Revenues shall be the Base Revenue Amount as specified in the then effective Preliminary Statement, Part E, No. 4 of

Pacific's Tariff Schedules on file with the CPUC. Adjusted Retail Base Rate Revenues for 1985 shall be the new Base Revenue Amount authorized by the CPUC for 1985. The factor, determined by dividing the Adjusted Retail Base Rate Revenues by the Existing Retail Base Rate Revenues shall be used to multiply each of the then existing rate components of Rate Schedules A through I and K to determine the new rate levels of Rate Schedules A through I and K.

The rate adjustments provided for pursuant to this Part IV shall be accomplished by means of an Abbreviated Notice of Rate Change to be filed with the FERC by Pacific. The effective date for the 1985 Rate Schedules A through I and K increases will coincide with the date the CPUC allows the attrition increase in retail base rates for 1985 to become effective regardless of any dispute or requirement for additional data that may arise in connection with the level of the increase at issue.

NCPA will actively support either no suspension of the effective date of the increases contemplated under this Part IV or, at most, a one-day suspension. However, should NCPA elect to request a one-day suspension of this 1985 increase, it is hereby agreed that the proposed effective date of this increase will be deemed to be December 31, 1984 or one day prior to the date that retail base rates are adjusted by the CPUC, if such date should

differ from January 1, 1985.

The Parties hereby agree to actively support any requests for waiver of Commission Regulations necessary to implement the increases contemplated under this Part IV no later than January 1, 1985, or as of the date that retail base rates are adjusted by the CPUC, if such date should differ from January 1, 1985.

By definition, the revised rates contemplated under this Part IV cannot be specified until the CPUC has issued its order establishing Pacific's retail rates for 1985. This CPUC order is expected on or about December 31, 1984. The filing of the Abbreviated Notice of Rate Change contemplated under this Part IV will, of necessity, occur after the effective date for the adjustments under this Part IV agreed to by the Parties. The Parties, therefore, agree that the increase in revenues contemplated under this Part IV may be collected, if necessary, by Pacific as a separately identified surcharge, retroactively to the effective date specified in this Part IV.

Part V.

OTHER RATE SCHEDULE ADJUSTMENTS

Excluding the FCA base fuel cost included in the base energy components of Rate Schedules A, C, D and E, the Parties hereby agree that the rates charged under Rate Schedules A through I and K will change as described below as of the dates that retail rates are initially adjusted by the CPUC to reflect the commercial operation of any of the Diablo Canyon and Helms Creek generation units should such initial adjustment by the CPUC occur prior to January 1, 1986. It is further agreed that any subsequent adjustment in retail base rates by the CPUC attributable to the Diablo Canyon or Helms Creek units will, to the extent that such subsequent adjustments reflect Costs incurred prior to January 1, 1986, also be reflected in Rate Schedules A through I and K rates as of the date of the retail rate adjustment.

Each of the then effective rate components of Rate Schedules A through I and K will be adjusted as follows. Existing Retail Base Rate Revenues shall be the Base Revenue Amount as specified

in the then effective Preliminary Statement, Part E, No. 4 of the Pacific's Tariff Schedules on file with the CPUC. As of June 1, 1983, the Base Revenue Amount is \$2,195,255,000 as authorized by the CPUC in Decision No. 82-12-112. Adjusted Retail Base Rate Revenues shall be the new Base Revenue Amount authorized by the CPUC. The factor determined by dividing the Adjusted Retail Base Rate Revenues by the Existing Retail Base Rate Revenues shall be used to multiply each of the then existing rate components of Rate Schedules A through I and K to determine the new rate levels of Rate Schedules A through I and K.

If, in conjunction with authorizing the Base Revenue Amount changes, the CPUC also orders a modification to the Energy Cost Adjustment Clause or any other mechanism to allow Pacific to recover expenses incurred in owning and operating the Diablo Canyon and/or Helms Creek generation units, the Parties agree to implement consistent and concurrent modifications to NCPA's FCA, base or other rates to preserve the intention of the Parties to allow rate increases which occur in the CPUC jurisdiction to be proportionately reflected in the rate levels of Rate Schedules A through I and K.

Should, prior to January 1, 1986, the CPUC authorize Pacific to adjust retail base rates to reflect past over or under recovery

of authorized Diablo Canyon or Helms Creek related Costs, the Parties agree that the proportionate share of the adjustment for any such past over or under collection in base rates will be reflected in the Rate Schedules A through I and K rates until fully amortized. The Parties agree that any under or over collection remaining unamortized as of January 1, 1986, will be amortized for a period beyond January 1, 1986 such that the total amortization period extends for 12 months from the date that the amortization commenced unless the Parties agree to a different amortization period.

If, after December 31, 1985, the CPUC authorizes Pacific to adjust retail rates to reflect over or under recovery of authorized costs associated with the Diablo Canyon Nuclear Units 1 and 2 or the Helms Creek Units 1, 2 and 3 incurred by Pacific prior to January 1, 1986, the Parties agree that the amount of over or under collection associated with operations prior to January 1, 1986, allocated to Rate Schedules A through I and K will be amortized as a separately identified surcharge to Rate Schedules A through I and K rates over a twelve-month period commencing with the effective date of the change in retail rates unless the Parties agree to a different amortization period.

In addition, the Parties hereby agree to reflect in Rate Schedules A through I and K the net effect of: 1) any change in

retail rates authorized by the CPUC to become effective prior to January 1, 1984 in connection with the Kerckhoff No. 2 Hydroelectric Power Plant; and 2) any other charge in the Base Revenue Amount as specified in the currently effective Preliminary Statement, Part E, No. 4 of Pacific's Tariff Schedules on file with the CPUC as authorized by the CPUC prior to January 1, 1986.

All of the adjustments contemplated under this section of the agreement will be accomplished through the filing of Abbreviated Notices of Rate Change pursuant to Section 35.13 of the FERC's Regulations under the Federal Power Act.

NCPA will actively support either no suspension of the effective date of the adjustments contemplated under this Part V or, at most, a one-day suspension. However, should NCPA elect to request a one-day suspension of the effective date of any of the adjustments attributable to either Diablo Canyon, Helms Creek or other adjustments described above, it is hereby agreed that the proposed effective date of such adjustment will be deemed to be one day prior to the date that retail base rates are adjusted by the CPUC for Diablo Canyon, Helms Creek or other adjustments described above.

Part VI.

FUEL COST ADJUSTMENT

The Parties hereby agree that the fuel cost adjustment mechanism (FCA) which shall be used in calculating the energy charge for the Partial Requirements Power (Schedule A), Maintenance Power (Schedule C), Short-Term Firm Power (Schedule D) and Geysers Curtailment Power (Schedule E) Schedules shall be the same fuel cost adjustment provision currently on file with the FERC and attached hereto as Exhibit A-7, except as provided below.

Since the amounts of energy purchased by NCPA under Rate Schedules A, C, D and E are being accounted for at the backbone transmission output, and since the fuel cost adjustment provision currently on file with the FERC contains the jurisdiction loss multiplier reflecting the accounting of the overall jurisdictional sales at area transmission output, the Parties hereby agree to multiply the FCA rate determined by the fuel cost adjustment provision currently on file with the FERC by 0.9862. The resulting adjusted FCA rate as determined above shall be the FCA rate applicable to Rate Schedules A, C, D and E.

Beginning with the first month that Rate Schedules A, C, D and E base rates are increased to reflect the commercial operation of Diablo Canyon Unit No. 1, an estimated twelve months of Diablo Canyon Unit No. 1 generation will be included in the calculation of the FCA rate for that month, and other fossil fueled generation and associated fuel costs will be reduced accordingly. In each succeeding month, one month of recorded (actual) nuclear generation will be added to the calculation and one month of estimated nuclear generation will be subtracted until twelve months of recorded nuclear generation are reflected in the FCA rates. Corresponding adjustments to the calculation of the FCA rate will be made to reflect the commercial operation of Diablo Canyon Unit No. 2. The record period shall be the recorded twelve calendar month period, as modified above, ending at the end of the second month prior to the month in which the revision rate occurs.

It is agreed that interest on balancing account over or under collections under the FCA will be computed in the same manner as the FERC refund rate calculation specified in Title 18 Conservation of Power and Water Resources, Chapter 1, paragraph 35.19a subparagraph 2(iii)(A). If the FERC should modify this section of Title 18, then the interest calculation in this fuel cost adjustment provision shall be modified accordingly.

The amount of over or under collection accumulated in the FCA balancing account will be limited. The limitation will result in increases in the balancing rate portion of the FCA rate when the balance in the balancing account exceeds ten percent of the product of the most recent offset rate and the most recent twelve months resale kWh sales. If this occurs, the balancing rate, as calculated in accordance with paragraph 10 of the FCA, will be increased by 25 percent, and such adjustment will continue until such time as the balancing account is five percent or less of the product of the then most recent offset rate and twelve months resale kWh sales.

The Parties hereby agree that any unamortized balance (either positive or negative) in the Electric Energy Cost Adjustment Account which is due to (or owed by) the Cities of Alameda, Healdsburg, Lodi, Lompoc and Ukiah as of the Effective Date of this Interconnection Agreement shall be assigned to NCPA.

The undersigned further agree that any balance in the Electric Energy Cost adjustment account of the current FCA which exists at the time a successor FCA becomes effective will be carried forward and fully amortized pursuant to the terms of the successor FCA provision contemplated under this Settlement Agreement. In addition, the undersigned agree that the

Successor FCA contemplated under this agreement will provide for the amortization of any balances existing at the time any further amended or successor FCA provision is made effective.

Finally, it is agreed that the unit costs used in calculating the FCA offset shall be those available at the time such offset rate is calculated.

Part VII.

RATE AND ACCOUNTING PRINCIPLES

The Parties hereby expressly agree that the rate and accounting principles set out below and in Part II above shall remain in effect until December 31, 1985, except as expressly provided below.

1. Partial Requirements Power Service - Rate Schedule A

1.1 Billing Demand

After December 31, 1983, the billing Demand for which NCPA shall pay in any month is the greater of a) 94 percent of the contract Demand for the Year as determined by Paragraph VII.1.1.1 of this Rate Appendix A for the months of June through September and 66 percent of such contract Demand for the months of October through May or b) the adjusted actual Demand as determined by Paragraph VII.1.1.2 of this Appendix A.

1.1.1 Contract Demand

The contract Demand for any Year is the maximum monthly amount of capacity forecasted by NCPA in accordance with Section 5.2 of the Interconnection Agreement subject to the following adjustment: If the adjusted actual Demand, minus the amount of Partial Requirements Power provided pursuant to Subsection 5.2.4 of the Interconnection Agreement, exceeds the contract Demand by more than six percent in any billing month, the portion that exceeds six percent shall be added to the contract Demands which would otherwise be applied for the following 11 months. This amount(s) shall be the new contract Demand(s) for the following 11 months.

1.1.2 Adjusted Actual Demand

Adjusted actual Demand of NCPA for any month shall be the maximum half-hourly Demand created by NCPA upon Pacific determined by the following procedure:

- a. The half-hourly metered load of each NCPA Member Customer shall be adjusted for losses between the Delivery Point and the backbone transmission output as provided in Exhibit A-2 of this Appendix A.

- b. The adjusted half-hourly loads of each NCPA Member Customer shall be combined to determine a coincident NCPA half-hourly load.
- c. Each NCPA source of capacity shall be adjusted to the backbone transmission output in accordance with Exhibit A-2 of this Appendix A: From the coincident NCPA half-hourly load 1) the Western allocation scheduled by NCPA in accordance with Appendix E shall be subtracted; 2) the actual amount of capacity, supplied to NCPA Member Customers from NCPA Projects except as provided by Subparagraph VII.1.1.3.b below shall be subtracted; 3) NCPA's scheduled firm capacity purchases from Third Parties shall be subtracted; 4) Scheduled Emergency Power, Maintenance Power, Short-Term Firm Power and Curtailment Power purchases from Pacific shall be subtracted; and 5) NCPA's scheduled firm capacity sales to Third Parties shall be added.

1.1.3 Special Interim Conditions

- a. Until January 1, 1984 billing Demand shall be determined using only adjusted actual Demand; provided that NCPA shall not receive capacity credit for any source of Firm Power other than from Pacific, Western

or NCPA Initial Project.

- b. During the 18 months following the Effective Date, the determination of capacity credit from NCPA Initial Project dedicated to NCPA Member Customers may be adjusted by NCPA within 21 days after NCPA receives the metering information necessary to determine NCPA's adjusted actual Demand from Pacific. Such adjustment shall be restricted to reallocation of capacity from NCPA Initial Project between NCPA and Santa Clara; provided, at Pacific's option, that Pacific and Santa Clara have an executed interconnection agreement which has been permitted to become effective by FERC; provided further, that the total amount of capacity claimed by NCPA and Santa Clara together shall not exceed in any half-hour period the total metered amount from the NCPA Initial Project in the corresponding half hour.
- c. During the eighteen months following the Effective Date, the Western allocation subtracted in accordance with Paragraph VII.1.1.2 above shall be the capacity allocated by Western to each individual NCPA Member Customer in any half hour period.

1.2 Energy Billing

The amount of energy for which NCPA shall pay shall be the sum of the half-hourly amounts of energy scheduled in any month by NCPA from Pacific in accordance with Appendix E added to the energy deviation amount determined in Paragraph VII.1.2.3 below.

1.2.1 Actual Energy Delivery

The amount of energy NCPA shall have actually received from Pacific is the sum of the half-hourly energy amounts supplied by Pacific during the billing period determined from the following procedure:

- a. The half-hourly metered load of each NCPA Member Customer shall be adjusted for losses between the Delivery Points and the backbone transmission output as provided in Exhibit A-2 of this Appendix A.
- b. The adjusted half-hourly loads of each NCPA Member Customer shall be combined to determine a coincident NCPA half-hourly load.
- c. The energy supplied by Pacific in any half

hour shall be determined after adjusting each NCPA source of energy to the backbone transmission output in accordance with Exhibit A-2 of Appendix A by the following procedure: From the coincident NCPA half-hourly load 1) Western's energy allocation to NCPA scheduled by NCPA in accordance with Appendix E shall be subtracted; 2) the actual amount of energy supplied to NCPA Member Customers from NCPA Projects shall be subtracted; 3) NCPA's scheduled energy purchases from Third Parties shall be subtracted; 4) scheduled Emergency Power, Maintenance Power, Short-Term Firm Power, and Curtailment Power purchases from Pacific shall be subtracted; and 5) NCPA energy sales to Third Parties shall be added.

1.2.2 Energy Deviation

- a. Pacific shall establish an energy deviation band, the magnitude of which shall be determined pursuant to Appendix E, to account for energy delivered by Pacific in excess of, or less than the energy scheduled by NCPA from Pacific.
- b. If the energy scheduled by NCPA from Pacific exceeds the energy delivered by Pacific to NCPA in any half

hour period, then to the extent that such excess is within the energy deviation band, it is not Inadvertent Energy and such deviation shall be corrected by NCPA pursuant to Paragraph VII.1.2.2d. If such excess is outside the energy deviation band, the portion outside the deviation band is Inadvertent Energy not subject to payment or return by Pacific; and shall not be credited to NCPA.

- c. If the energy delivered by Pacific to NCPA exceeds the energy scheduled by NCPA from Pacific in any half hour period, then to the extent such excess is within the energy deviation band, such excess shall not be considered as energy purchased by NCPA from Pacific, and such deviation shall be corrected by NCPA pursuant to Paragraph VII.1.2.2d. If such excess is outside the energy deviation band, the portion outside the deviation band is Partial Requirements Power purchased by NCPA from Pacific.

- d. Pursuant to Appendix E, NCPA shall correct any energy deviation within the band by adjusting its schedules in the next like load period or as soon as possible thereafter.

- e. No capacity shall be associated with this energy deviation band.

1.2.3 Energy Deviation Amount

The energy deviation amount in any half hour period shall be determined by the following procedure: a) subtract the energy scheduled by NCPA from Pacific from the actual energy delivery determined in Paragraph VII.1.2.1, b) from this amount subtract one-half of the magnitude of the energy deviation band determined in accordance with Appendix E. If the resultant is a positive amount, that amount shall be added to the amount scheduled by NCPA from Pacific in the corresponding half hour for billing purposes.

1.2.4 Special Interim Conditions

During the 18 months following the Effective Date:

- a. The amount of energy credited to NCPA from NCPA Initial Project shall be the energy associated with the capacity credit in any half-hour period from such project determined pursuant to Subparagraph VII.1.1.3.b of this Appendix A.

- b. The Western allocation subtracted in accordance with Subparagraph VII.1.2.1.c above shall be the energy allocated by Western to each individual NCPA Member Customer in any half hour period.
- c. The energy for which NCPA shall be billed shall be the Partial Requirements Power energy charge pursuant to Rate Schedule A multiplied by the actual energy delivery determined in accordance with Paragraph VII.1.2.1.

1.2.5 Special Interim Conditions

For the 18 months following the Effective Date of this Agreement, the treatment of energy in excess of NCPA's coincident load (excess energy) delivered by NCPA shall be as follows:

- a. If in any half-hour period in which NCPA is not purchasing energy from a Third Party other than Western, the net energy supplied by Western and the NCPA Initial Project, adjusted for losses to the backbone transmission output is greater than the coincident NCPA metered load plus sales to Third Parties adjusted for losses to the backbone

transmission output, the excess energy shall be considered as Inadvertent Energy delivered into Pacific's system not subject to return or payment by Pacific.

- b. If the total energy available to NCPA including Third Party and Western transactions and adjusted for losses to the backbone transmission output, in any half-hour period is greater than the NCPA coincident load calculated in accordance with Subsection VII.1.2 of this Rate Schedule A for that same half-hour period, and if that excess is equal to or less than 10 MW or the amount of energy purchased from Third Parties whichever is less, Pacific shall purchase such excess at NCPA's cost for energy scheduled from Third Parties. Any excess energy greater than such amount in any half hour shall be considered Inadvertent Energy delivered into Pacific's system, not subject to return or payment by Pacific.

2. Rate Principles

2.1 Partial Requirements

2.1.1 Demand Charge

Demand related Costs will be allocated on the basis of contract Demand ("CD"). The CD will be the highest monthly Demand forecasted by NCPA in any Year pursuant to Section 5.2. The twelve monthly kilowatt amounts to be used for allocation will be one month at 100 percent of CD, three months at 94 percent of CD and eight months at 66 percent of CD. The monthly kilowatt amount to be used for rate design will be the same as used for the above allocation adjusted as appropriate for losses. For rate design purposes the system interconnection transmission expenses will be included with the billing Demand charge.

2.1.2 Energy Charge

The energy charge shall consist of two rate blocks. The first block of the Partial Requirements Power energy charge shall be based upon average system energy Costs (base energy charge plus FCA). The second block of this energy charge shall be priced at 110 percent of the unit charge used for the first energy block.

2.1.3 Customer Charge

The customer charge shall include customer related Costs and the fixed Costs associated with NCPA's exclusive and/or allocated

use of Pacific's facilities (e.g., specific distribution plant, meter, etc.).

2.2 Firm Transmission Service

Firm Transmission Service will be provided over four sub-functions of the transmission system; generation tie, system interconnection, backbone and area as described in Exhibit A-5 of this Appendix A.

Transmission related Costs will be allocated on the basis of the contract amount of NCPA Firm Power purchases from Third Parties plus the contractually designated output from NCPA resources plus the forecasted monthly coincident peak loads of Partial Requirements Power. The contract amount of NCPA Firm Power purchases from Third Parties and the contractually designated output of NCPA resource shall be the highest monthly designated contract amount for the Year. This designated contract amount shall be multiplied by twelve for Cost allocation purposes. The Demands to be used for transmission rate design shall be the sum of: 1) the Demands used for Partial Requirements Power rate design plus 2) the contract amount of NCPA Firm Power purchases from Third Parties plus 3) the contractually designated output of NCPA resources.

For Firm Transmission Service associated with sales of Partial Requirements Power the billing Demand will be the same as the Partial Requirements Power billing Demand.

2.3 Maintenance Power

Maintenance Power Demand Charge: The Maintenance Power Demand charge shall be equal to the Partial Requirements billing Demand charge divided by 30.42.

Energy Charge: The Maintenance Power energy charge shall consist of two energy blocks. The first energy block of 16.8 kWh per kW-day will be billed at the same rate as the first block of the Partial Requirements Power energy charge. All additional kWh per kW day will be billed at the same rate as the second energy block of the Partial Requirements Power energy charge.

2.4 Short-Term Firm Power

The Short-Term Firm Power Demand charge shall be the same as the Maintenance Power Demand charge. The Short-Term Firm energy charge shall be equal to the second block of the Partial Requirements Power energy charge.

2.5 Emergency Power Service

There shall be no Demand charge for Emergency Power sales. All Emergency Power energy will be billed at the incremental fuel Cost pursuant to Rate Schedule B of this Appendix A.

2.6 Reserve

The Capacity Reserve charge shall be determined by multiplying the Partial Requirements Power billing Demand charge (excluding the system interconnection transmission component and the component due to the base energy charge shifted as agreed by both Parties in designing the 1983 rate) by [1 - capacity reserve percentage for the Year as listed in Section 3.1.3 of the Interconnection Agreement or Exhibit A-1 of this Appendix A].

3. Billing Procedure for Rate Schedules A through G

3.1 NCPA shall provide Pacific with the following information within five working days after the last day of the billing month and a record of all communications between NCPA and Pacific dispatchers, either voice or electronic, as requested for resolution of disputes:

- 3.1.1. monthly reports of actual schedules of all transactions;
 - 3.1.2. monthly reports of all data necessary to calculate payments;
 - 3.1.3. monthly reports of like hour energy deviation scheduling pursuant to Rate Schedule A; and
 - 3.1.4 report on residual energy deviations which NCPA was unable to reschedule in like load periods during that billing month.
- 3.2 Pacific shall use the information above, subject to meter verification, to calculate the bills for Partial Requirements Power, Spinning Reserves, Maintenance Power, Short-Term Firm Power, Geysers Curtailment Power, Curtailment Power, Firm Transmission Service, Interruptible Transmission Service and Emergency Power.

Pacific shall determine such amounts and bill NCPA within 14 days after Pacific receives the information contained above from NCPA.

3.3 Special Interim Conditions

During the 18 months following the Effective Date of this Interconnection Agreement, the following procedure shall be used for billing purposes:

3.3.1 Within 7 days after the last day of the month, Pacific shall send NCPA the monthly metering information from the Delivery Points of NCPA Member Customers and from NCPA Initial Project, and a partial billing which shall include billing for Capacity Reserves, Firm Transmission Service (after January 1, 1984), and Interruptible Transmission Service.

3.3.2 From this metering information, NCPA shall determine the amount of Partial Requirements Power, Maintenance Power, Emergency Power, Short-Term Power, Geysers Curtailment Power, Spinning Reserves, Firm Transmission Service (prior to January 1, 1984) and any additional Firm Transmission Service associated with additional purchases of Partial Requirements Power in excess of Contract demand, purchased from Pacific. NCPA may use its contracted Partial Requirements Power to the extent such power is available or provide its Maintenance Power, Emergency Power, Short-Term Firm Power, and

Geysers Curtailment Power subject to meter verification by Pacific.

- 3.3.3 Within 21 days after NCPA receives the metering information from Pacific, NCPA shall make its determination pursuant to Subsection VII 3.3.2 above and make payment to Pacific for all services provided under this Interconnection Agreement.

Part VIII.

The provisions of this Appendix A are subject in every particular to the conditions set forth herein, including acceptance of both the Interconnection Agreement and this Appendix A in their entirety and without change or condition unsatisfactory to any Party by FERC, and also with the understanding that each term of this Appendix A is in consideration and support of every other term, and of the Interconnection Agreement itself. Should FERC modify any provision of the Interconnection Agreement or this Appendix A in a manner unsatisfactory to any Party, neither Appendix A nor the Interconnection Agreement shall become effective. This Appendix A is submitted on the condition that, in the event the FERC does not by order accept it and the Interconnection Agreement in their entirety, this Appendix A and the Interconnection Agreement shall be deemed withdrawn and shall not constitute any part of the record in any FERC proceeding or be used for any other purposes, whether between the Parties or between any Party and Third Parties. However, in the event that the FERC action with respect to Appendix A results in the withdrawal of these agreements, Pacific shall refile the Interconnection Agreement

and all necessary rates within 63 days of that FERC action, and may elect to file such rates as Initial Rates within the meaning of Sections 2.4, 35.1 and 35.12 of the FERC's Regulations. NCPA shall thereafter be free to challenge such rates and object to their proposed acceptance by the FERC as Initial Rates within the meaning of Sections 2.4, 35.1 and 35.12 of the Commission's Regulations without restriction by this Agreement or any other.

It is hereby agreed by the Parties that no Party shall initiate or pursue any action, whether judicial, administrative, or otherwise, based upon claims that the rates established pursuant to this Appendix A are unjust, unreasonable, or otherwise illegal. The rate and accounting principles specified in this Appendix A are subject to challenge by the Parties only with regard to the period subsequent to December 31, 1985 and then only in connection with rate levels not established pursuant to Parts II through V of this Appendix A.

Nothing contained herein shall be construed as affecting in any way the right of Pacific under this rate schedule to unilaterally make application to the Federal Energy Regulatory Commission for a change in rates under Section 205 of the Federal Power Act and pursuant to the Commission's Rules and Regulations promulgated thereunder, with one exception. The Rate Schedules A through K rates will not be subject to change

by Pacific, except pursuant to this agreement, as amended, prior to January 1, 1986.

However, the Parties agree that Pacific may, at its election, file another general rate increase under Section 205 of the Federal Power Act consisting of two phases affecting Rate Schedules A through I and K rates on or after August 1, 1985, with a proposed effective date no earlier than October 1, 1985. It is further agreed that any such general rate increase filing by Pacific will contain Pacific's consent to a January 1, 1986 effective date for Phase I of the proposed increase and a March 1, 1986 effective date for Phase II of the proposed increase. NCPA agrees to actively support the January 1, 1986 and March 1, 1986 effective dates for Phases I and II of the proposed increase, respectively, so long as these effective dates encompass at least a one-day suspension of the proposed rates and an initial 60-day notice period for the Phase I rates.

Should Section 205 of the Federal Power Act and/or Section 35.13 of the FERC Regulations or any successor law or regulation be unavailable as a means of changing these rates established pursuant to this Appendix A, Pacific reserves the right, at its election, to change rates under the Appendix A pursuant to Section 206 of the Federal Power Act or any successor law or laws or pursuant to any other applicable law.

This Rate Agreement is entered into this _____ day of _____, 1983, by the undersigned Parties (who are fully authorized to do so) on behalf of the Parties indicated:

The Northern California Power Agency and
The Cities of Alameda, Healdsburg,
Lodi, Lompoc, Ukiah, Biggs,
Gridley, Palo Alto, Roseville and
Plumas Sierra Electric Rural Cooperative

R. E. Grimshaw
General Manager
Northern California Power
Agency

W. M. Gallavan
Vice President - Rate and
Economic Analysis
Pacific Gas and Electric Company

EXHIBIT A-1

Contract Demand Forecast

<u>1983</u>	<u>1984</u>	<u>1985</u>
98 MW	109 MW	122 MW

Capacity Reserve Forecast

<u>1983</u>	<u>1984</u>	<u>1985</u>
8,535 kW/mo	10,165 kW/mo	10,213 kW/mo

EXHIBIT A-2

Functionalized Transmission Losses

<u>Transmission Function</u>	Loss Factor ¹ (Applied to Transmission Output)		Loss Factor ¹ (Applied to Transmission Input)	
	<u>Demand</u>	<u>Energy</u>	<u>Demand</u>	<u>Energy</u>
System Interconnection	1.0004	1.0005	0.9996	0.9995
Generation Tie	1.0024	1.0037	0.9976	0.9963
Backbone	1.0217	1.0174	0.9787	0.9829
Area	1.0158	1.0140	0.9845	0.9862
Distribution	1.0238	1.0092	0.9768	0.9909
Other	(To be determined on a case-by-case basis for direct service facilities not covered by the above Transmission Functions)			

¹ Loss factors applied to delivery of capacity and energy utilizing the applicable transmission facilities listed above. Transmission losses for applicable transmission facilities shall be added to determine the total losses between Delivery Point and Point of Receipt.

EXHIBIT A-2-A
EXAMPLE OF
APPLIED FUNCTIONALIZED TRANSMISSION
LOSS FACTORS

Example: NCPA has 55 MW (300 GWH) of Geysers Generation & 45 MW (200 GWH) of Third Party purchases received at the backbone.
How much supplemental power, after transmission loss adjustments, does NCPA need at the backbone output to meet
100 MW/500 GWH of NCPA load delivered in equal amounts to the four cities as shown?

	CAPACITY (MW)	Energy (GWH)
Geysers Generation At Generation Tie Output (Equal to Backbone Input)	$55 \times .9976^{1/} = 54.8680$	$300 \times .9963^{5/} = 298.890$
Third Party Purchases at Backbone Input	$45 \times 1.0 = 45.0000$	200.000
Geysers Generation & Purchases at Backbone Output	$\overline{99.8680} \times .9787^{2/} = 97.7408$	$\overline{498.890} \times .9829^{6/} = 490.359$
Redding's load at Backbone Output	= 25.000	= 130.000
Alameda's load at Backbone Output	$25 \times (1.0238)(1.0158)^{3/} = 25.9994$	$130 \times (1.0092)(1.0140)^{7/} = 133.033$
Roseville's load at Backbone Output	$25 \times 1.0158^{4/} = 25.3950$	$130 \times 1.0140^{8/} = 131.820$
Lompoc's load at Backbone Output	$25 \times 1.0158^{4/} = \underline{25.3950}$	$130 \times 1.0140^{8/} = \underline{131.820}$
NCPA's load at Backbone Output	101.7894	526.673
Load at Backbone Output	101.7894	526.673
Power Source at Backbone Output	<u>97.7408</u>	<u>490.359</u>
Supplemental Power at Backbone Output	4.0486	36.314

1/ Loss factor for Generation Tie Input (demand)
2/ Loss factor for Backbone Input (demand)
3/ Loss factor for Area-Distribution Output (demand)
4/ Loss factor for Area Output (demand)

5/ Loss factor for Generation Tie Input (energy)
6/ Loss factor for Backbone Input (energy)
7/ Loss factor for Area-Distribution Output (energy)
8/ Loss factor for Area Output (energy)

EXHIBIT A-3

On-Peak, Off-Peak Periods

On-Peak:

- ° 7:00 a.m. to 10:00 p.m. Monday through Friday, except holidays

Off-Peak:

- ° 10:00 p.m. to 7:00 a.m. Monday through Friday, except holidays
- ° All day Saturday, Sunday and holidays

EXHIBIT A4⁸(Year 1983)

<u>Transmission Between Point of Receipt and Backbone</u>		<u>Backbone Transmission</u>	<u>Transmission Between Backbone and Delivery Points</u>	
<u>Point of Receipt</u>	<u>Maximum (MW) Rate of Delivery</u>	<u>Contract Coincident Rate of Delivery (MW)</u>	<u>Delivery Points⁹</u>	<u>Maximum (MW) Rate of Delivery</u>
NCPA Shell #2 Point of Inter- connection	49.9 ¹	147.9	Alameda	59
Midway Substation	2		Gridley	0
Bellota Substation	3		Healdsburg	11
Partial Require- ments ⁷ Power from PGandE	98		Lodi ⁴	67
			Lompoc	13
			Plumas Sierra	0
			Roseville ⁵	0
			Ukiah ⁶	18
			Palo Alto	0
			Biggs	0
			Tracy	50

EXHIBIT A-4⁸(Year 1984)

<u>Transmission Between Point of Receipt and Backbone</u>		<u>Backbone Transmission</u>	<u>Transmission Between Backbone and Delivery Points</u>	
<u>Point of Receipt</u>	<u>Maximum (MW) Rate of Delivery</u>	<u>Contract Coincident Rate of Delivery (MW)</u>	<u>Delivery Points⁹</u>	<u>Maximum (MW) Rate of Delivery</u>
NCPA Shell #2 Point of Inter- connection	49.9 ¹	158.9	Alameda	65
Midway Substation	2		Gridley	0
Bellota Substation	3		Healdsburg	12
Partial Require- ments ⁷ Power from PGandE	109		Lodi ⁴	69
			Lompoc	14
			Plumas Sierra	0
			Roseville ⁵	2
			Ukiah ⁶	19
			Palo Alto	2
			Biggs	1
			Tracy	50

EXHIBIT A-4⁸

(Year 1985)

<u>Transmission Between Point of Receipt and Backbone</u>		<u>Backbone Transmission</u>	<u>Transmission Between Backbone and Delivery Points</u>	
<u>Point of Receipt</u>	<u>Maximum (MW) Rate of Delivery</u>	<u>Contract Coincident Rate of Delivery (MW)</u>	<u>Delivery Points⁹</u>	<u>Maximum (MW) Rate of Delivery</u>
NCPA Shell #2 Point of Inter- connection	49.9 ¹	171.9	Alameda	67
Midway Substation	²		Gridley	0
Bellota Substation	³		Healdsburg	12
Partial Require- ments ⁷ Power from PGandE	122		Lodi ⁴	71
			Lompoc	14
			Plumas Sierra	0
			Roseville ⁵	8
			Ukiah ⁶	20
			Palo Alto	4
			Biggs	1
			Tracy	50

EXHIBIT A-4⁸(Year 1986)

<u>Transmission Between Point of Receipt and Backbone</u>		<u>Backbone Transmission</u>	<u>Transmission Between Backbone and Delivery Points</u>	
<u>Point of Receipt</u>	<u>Maximum (MW) Rate of Delivery</u>	<u>Contract Coincident Rate of Delivery (MW)</u>	<u>Delivery Points⁹</u>	<u>Maximum (MW) Rate of Delivery</u>
NCPA Shell #2 Point of Inter- connection	49.9 ¹		Alameda	71
Midway Substation	2	*	Gridley	0
Bellota Substation	3		Healdsburg	13
Partial Require- ments ⁷ Power from PGandE	*		Lodi ⁴	73
			Lompoc	15
			Plumas Sierra	0
			Roseville ⁵	15
			Ukiah ⁶	21
			Palo Alto	5
			Biggs	1
			Tracy	100

* To be supplied by NCPA within 30 days after the Effective Date.

EXHIBIT A-4⁸

(Year 1987)

<u>Transmission Between Point of Receipt and Backbone</u>		<u>Backbone Transmission</u>	<u>Transmission Between Backbone and Delivery Points</u>	
<u>Point of Receipt</u>	<u>Maximum (MW) Rate of Delivery</u>	<u>Contract Coincident Rate of Delivery (MW)</u>	<u>Delivery Points⁹</u>	<u>Maximum (MW) Rate of Delivery</u>
NCPA Shell #2 Point of Inter- connection	49.9 ¹		Alameda	73
Midway Substation	2	*	Gridley	0
Bellota Substation	3		Healdsburg	13
Partial Require- ments ⁷ Power from PGandE	*		Lodi ⁴	75
			Lompoc	16
			Plumas Sierra	1
			Roseville ⁵	22
			Ukiah ⁶	22
			Palo Alto	7
			Biggs	1
			Tracy	100

* (ibid from E-8)

EXHIBIT A-4⁸(Year 1988)

<u>Transmission Between Point of Receipt and Backbone</u>		<u>Backbone Transmission</u>	<u>Transmission Between Backbone and Delivery Points</u>	
<u>Point of Receipt</u>	<u>Maximum (MW) Rate of Delivery</u>	<u>Contract Coincident Rate of Delivery (MW)</u>	<u>Delivery Points⁹</u>	<u>Maximum (MW) Rate of Delivery</u>
NCPA Shell #2 Point of Inter- connection	49.9 ¹		Alameda	78
Midway Substation	2	*	Gridley	0
Bellota Substation	3		Healdsburg	14
Partial Require- ments ⁷ Power from PGandE	*		Lodi ⁴	77
			Lompoc	17
			Plumas Sierra	1
			Roseville ⁵	31
			Ukiah ⁶	22
			Palo Alto	10
			Biggs	1
			Tracy	100

* (ibid from E-8)

EXHIBIT A-4 FOOTNOTES

Preliminary studies by Pacific have indicated that the following reinforcements need to be constructed in order for Pacific to provide the transmission service requested by NCPA as footnoted in this Exhibit A-4. The Parties recognize that if requested by Pacific NCPA shall be responsible for payment of a proportional share of such reinforcements in accordance with Subsection 9.12.4. However, the Parties agree that these footnotes represent preliminary studies and as listed in this Exhibit do not bind either Party. The identification of specific transmission problems and the resolution of those problems shall be dealt with by the Engineering and Operating Committee pursuant to Section 9.13.

- 1 110 MW less Santa Clara's share of Geysers transmission is Interim Transmission Service subject to transmission curtailments pursuant to Section 6.2 prior to completion of the Geysers-Lakeville and Lakeville-Sobrante transmission lines. NCPA may participate as a tenant-in-common in the Geysers-Lakeville line pursuant to Section 6.3.
- 2 No Firm Transmission Service is available for energy delivered at Midway Substation at this time.
- 3 In order to provide requested Firm Transmission Service two 230 kV circuits would have to be constructed between Bellota and Tesla substations.
- 4 In order to provide requested Firm Transmission Service Lockeford-Lodi No. 4 60 kV transmission line must be constructed in 1986.
- 5 In order to provide the requested Firm Transmission Service 1) a 230 kV circuit between Rio Oso and Altantic substations must be constructed in 1985, and 2) a 230/115/60 kV transmission bank must be added at Altantic Substation in 1988.
- 6 In order to provide the requested Firm Transmission Service the 115 kV Eagle Rock-Mendocino transmission line must be constructed.
- 7 Firm Transmission Service for Generation tie and system interconnection is applicable only to Partial Requirements Power provided to NCPA by Pacific.
- 8 Amounts shown in this table must be adjusted for transmission losses. Billing for Firm Transmission Service shall be based on transmission input to applicable functions.
- 9 Substation Delivery Points and Voltages shown in Exhibit A-4A.

EXHIBIT A-4A

Substation Delivery Points, NCPA Member Customers

<u>Member Customer</u>	<u>Voltage</u>	<u>Physical Description of Delivery Point(s)</u>
Alameda	12,000 V	Four delivery points: at Alameda's Atlantic, Webster, Central and Fernside Substations
Biggs	12,000 V	At Biggs' substation
Gridley	60,000 V	At Gridley's substation
Healdsburg	60,000 V	At Healdsburg's sub- station in the vicinity of Mash Drive and South Fitch Mountain Road
Lodi	60,000 V	At Lodi's Killelea substation
Lompoc	70,000 V	At Lompoc's 70/12 kV substation at D Street and North Avenue
Palo Alto	115,000 V	At Palo Alto's 115 kV substation
Plumas Sierra REC	60,000 V	At Plumas Sierra's Quincy substation
Roseville	60,000 V	At Pacific's Atlantic Substation
Ukiah	12,000 V	At Pacific's metering station in the vicinity of the Gobbi Street overcrossing of High- way 101

EXHIBIT A-5

Transmission Functions - Definitions

EXHIBIT A-5

Transmission Functions - Definitions

The following definitions were designed to provide a systematic basis for assigning Pacific transmission facilities to functional groups. In order to maintain a basic level of simplicity only five functional groups have been delineated; however, because a great number of relatively complex transmission arrangements must be put into these five groups, the definitions are necessarily broad in scope. To realize the objective of broadness, the definitions, in their application, have been carefully augmented with engineering judgement.

The definitions were designed to be applied to the transmission system at the time of its greatest overall stress; i.e., at the time of the system annual coincident peak. This corresponds to the starting point for system planning and design if the hydrologic conditions, system dispatch, load growth, new construction and switching conditions are all accounted for. Various contingency conditions, such as line and generator outages, have not been factored in since the probability of transmission and resource outages is typically very low, and the duration of most outages is relatively short on an annual basis.

Therefore, they would have a relatively small effect on the 'normal' function of any given transmission line.

A radial tap as used herein is a transmission line tying to the transmission grid at a single point, the other end of which is connected either to a generator or load (or both). A closed loop tap is a variation of the radial tap and consists of two or more transmission lines tying to a common point on the transmission grid and to each other at their extremities; loads and/or generators can be connected at any point along either line as long as no other connections to the transmission grid exist except back to the common point directly.

The term transmission shall be used for line and substation facilities whose nominal operating voltage is 50,000 volts or greater. This corresponds to the accounting distinction maintained by Pacific. The legend below applies to examples given for the various transmission functions.

Backbone Transmission

Transmission facilities which serve to integrate major system resources, directly or through generation ties, and system interconnections, with each other and together, shall be called backbone facilities.

The backbone system is analogous to a single transmission supply bus or node to which are connected all the system interconnections and resources as well as the majority of all the system loads.

Transmission facilities which physically parallel the backbone system but are not necessary to integrate additional system interconnections or major resources shall be called backbone only if there exists in these facilities a significant and obvious parallel power flow under the defined conditions.

Generation Ties

Transmission facilities whose primary purpose is to provide electrical paths between generating facilities and the integrated transmission network, at either the backbone or area levels, shall be called generation ties. The definitions for two possible types of generation ties are outlined below.

CASE 1: Generation ties will consist of radial taps or closed loops from the point of generation to either: a) the first point of interconnection with the network; i.e., the point beyond which the origin of the power flow becomes indeterminate, or b) the point beyond which the power flowing toward the integrated network becomes less than 50 percent of the net generation due to local loads.

Example: D-1(A)

CASE 2: When the generating facility is located on lines embedded in the integrated transmission network, the lines emanating from the generator bus shall be called generation ties if and only if the power flow out on each of the lines is within ± 50 percent of the mean power flow out of all the lines, otherwise they all will be either backbone or area transmission.

Example: D-1(D)

System Interconnection

Transmission facilities which are used exclusively to link the Pacific backbone system to transmission facilities belonging to other utilities for the purpose of sharing generation reserves or for the interchange of power, or both, shall be called system interconnections. The extent of these interconnections shall be from the common boundaries between utilities to the first point of connection with the Pacific backbone system.

Exclusive Use

Transmission facilities which are directly related to the service of specific, single customers, on either radial taps or closed loop taps, shall be called exclusive use transmission.

Example: D-3

Area Transmission

Transmission facilities whose primary purpose is to supply bulk power to the distribution system shall be called area transmission.

Area transmission falls into two basic conceptual configurations. The first are the radial type of lines as shown below.

Example: D-4(A)

The second, and perhaps less definitive, group of facilities are those which physically parallel the backbone and other facilities but whose primary power flow is not through the line but rather to distribution stations (loads) located along the lines. In some instances judgement is involved in deciding when parallel flow-through power becomes significant enough to make a line backbone in place of area.

In deciding whether or not one of these facilities (or sometimes an entire subnetwork) is backbone or area the question of their existence absent the substations served can be asked. If the lines would have been built even if the load substations were not expected to be located there, then the lines would be backbone; however, if the lines would only exist to serve the load substations then they would be area even with some flow through power apparently paralleling the backbone system.

EXHIBIT A-6

Reserve Planning Criteria

Pacific is currently using four reserve planning criteria. The applicable planning criterion for each time period (e.g., month) is the one that produces the highest required reserve capacity.

The four reserve planning criteria are:

1. Reliability Criterion: This criterion requires that random outages of capacity resources are not expected to exceed the planned reserve capacity (taking into account scheduled maintenance) more often than one day in ten years. The calculation is performed with a loss-of-load probability (LOLP) computer program assuming dry hydroelectric conditions. The calculation includes 600 MW of "perfect capacity" in reserve support from Southern California Edison. Previous LOLP analyses included 90 MW of "perfect capacity" to reflect the two combustion turbines owned by the Modesto Irrigation District. Future LOLP analyses will not include the 90 MW because future area load forecasts will reflect MID's operation of those turbines.

2. Contingency Criterion: This criterion requires that the planned reserve capacity be equal to or greater than the combined capacity of the two largest generating units or transmission risks in the system.
3. Percentage Criterion: This criterion requires that planned reserve capacity each month be equal to or greater than 12% of the estimated firm peak load for that month.
4. Energy Criterion: This criterion requires that the energy capability of all units not scheduled for maintenance exceed the forecasted monthly energy load by at least one-half of the energy capability of the largest unit that is not scheduled for maintenance.

These four criterion reflect standard utility practice in the United States. However, they do not relate directly to the economic tradeoff between the cost of new generating capacity and the value of that capacity to the consumer in ensuring reliable service. Studies within and outside PGandE may result in the development and adoption of new reliability criteria that more directly address this economic tradeoff.

PACIFIC GAS AND ELECTRIC COMPANY
FERC ELECTRIC TARIFF

SHEET NO. _____

FUEL COST ADJUSTMENT

1. Applicability

This fuel cost adjustment provision applies to bills for service under FERC Electric Tariff Original Volumes Nos. I and II.

2. Billing Amount

The amount hereunder to be added to or subtracted from each bill determined at the Base Rates shall be the product of the total kilowatt hours for which the bill is rendered multiplied by the Adjustment Rate.

3. Base Rates

The Base Rates are the rates for service under FERC Electric Tariff Volumes Nos. I and II effective as of January 1, 1982 and as adjusted pursuant to the Settlement Agreement dated May 5, 1982.

4. Base Weighted Average Cost of Thermal and Economy Energy

The base weighted average cost of thermal and economy energy is \$0.00233 per kilowatt hour of jurisdictional sales. Thermal energy is electric energy where the source of energy for the prime mover is heat. Economy energy is electric energy produced from a source outside the Company system and substituted for energy that could have been produced by a less economical source in the Company system.

5. Record Period

The volumes of thermal and economy energy, fuel related thereto, and electric sales consumed, purchased, and sold, as the case may be, shall be those recorded during the twelve calendar month period ending at the end of the second month prior to the month in which the Revision Date occurs.

6. Revision Dates

The Revision Dates are the first day of each calendar month. On such dates, the Utility shall, in accordance with the provisions hereof, place into effect an increase or decrease in the Adjustment Rate then in effect to reflect changes in the average cost of thermal and economy energy.

7. Adjustment Rate

(a) The Adjustment Rate, to become effective for meter readings on and after each Revision Date and continuing thereafter until the next Adjustment Rate becomes effective in accordance herewith, shall be the arithmetic sum of an Offset Rate and a Balancing Rate, each multiplied by 1.0022 (to adjust for franchise expense) and carried to the nearest \$0.00001 per kilowatt hour.

- (b) The Offset Rate shall be the difference, as set forth in Section 8 below, between the current weighted average thermal and economy energy cost per kilowatt hour of jurisdictional sales and the Base Weighted Average Cost of Thermal and Economy Energy.
- (c) The Balancing Rate shall be an amount per kilowatt hour of jurisdictional sales necessary to amortize the accumulated balance in the Electric Energy Cost Adjustment Account-FERC, FERC Accounts Nos. 186 and 253. If the accumulated balance in that account, whether debit or credit, is ten percent or more of the annual offset revenue, calculated by utilizing the most current effective offset rate and the Record Period sales, the balancing rate, as set forth in Section 10 below will be increased by twenty-five percent and such adjustment will continue until such time as the balancing account is five percent or less of the product of the most recent offset rate and Record Period sales. The procedures for maintaining the Electric Energy Cost Adjustment Account-FERC and for determining the Balancing Rate are set forth in Sections 10 and 11 below.

8. Offset Rate

The Offset Rate shall be determined by dividing (1) the amount of the Current Cost of Thermal and Economy Energy determined as specified below, by (2) the Record Period kilowatt hours of applicable jurisdictional sales, and (3) subtracting the Base Weighted Average Cost of Thermal and Economy Energy.

9. Current Cost of Thermal and Economy Energy

The current cost of thermal and economy energy shall be: (1) the volumes of gas and of each type of oil and coal fuel used for electric generation in the Record Period*, expressed in millions of Btu, and the volumes of geothermal production and of nuclear energy production**, expressed in kilowatt hours, multiplied by the current price of each set forth below; plus (2) the volumes of purchased thermal and economy energy in the Record Period multiplied by the actual average energy rates for such purchases in the latest available month in the Record Period; multiplied by (3) the ratio of applicable jurisdictional sales to total system sales***, and further multiplied by (4) 0.959 to reflect the estimated difference between system and jurisdictional losses.

The current price of gas fuel shall be the latest known applicable rate under California Public Utilities Commission Schedule No. G-55 expressed in dollars per million Btu, in effect on or before the Revision Date, weighted by the quantity of gas used under such gas rate schedule during the Record Period. The current price of oil and coal fuel shall be the average cost in dollars per million Btu of each type from inventory (FERC Account No. 151) in the second month prior to the month in which the

Revision Date occurs. The current price of geothermal steam shall be the price per kilowatt hour of geothermal plant output (including payments for effluent disposal) of steam producers effective for production in the second month prior to the month in which the Revision Date occurs. The current price of nuclear fuel shall be the weighted average unit rate of amortization expressed in dollars per kilowatt hour, of nuclear fuel assemblies in-core including an allowance for lease charges, transportation, and storage of spent fuel assemblies, in the second month prior to the month in which the Revision Date occurs.

10. Balancing Rate

The Balancing Rate per kilowatt hour sold shall be determined by dividing (1) the balance in the Electric Energy Cost Adjustment Account-FERC at the end of the latest month at the time of the computation being made under the provisions hereof, by (2) the Record Period kilowatt hours of applicable jurisdictional sales.

11. Electric Energy Cost Adjustment Account-FERC

Effective January 2, 1976, the Company shall maintain an Electric Energy Cost Adjustment Account-FERC. Entries shall be made to this account at the end of each month as follows:

(a) A debit entry, if positive (credit entry, if negative) equal to:

- (1) the jurisdictional recorded expense for thermal energy and for purchased thermal and economy energy during the month, less
- (2) the amount of revenue billed during the month under the Offset Rate (not including the associated adjustment for franchise expense), less
- (3) the amount of revenue billed from energy sales during the month to the California Department of Water Resources, less
- (4) an amount equal to the jurisdictional energy sold to which the Adjustment Rate is applicable multiplied by the Base Weighted Average Cost of Thermal and Economy Energy, less
- (5) the amount of total revenue billed during the month for the energy component of inter-system transactions allocated to applicable jurisdictional sales as set forth in item (e) below, less
- (6) the jurisdictional portion of total recorded fuel expense associated with fuel receipts in payment for electric service, but not to exceed the expense for fuel actually used to provide such service.

- (b) A credit entry, if positive (debit entry, if negative) equal to the amount of revenue billed during the month under the Balancing Rate (not including the associated adjustment for franchise expense).
- (c) If the Company received from any of its gas or geothermal or purchased thermal and economy energy suppliers, cash refunds including any associated interest, on and after the date this Fuel Cost Adjustment provision becomes effective, the amount thereof associated with jurisdictional sales of electricity shall be recorded as a credit to the Utility's Electric Energy Cost Adjustment Account FERC-except that in the event the non-jurisdictional portion of any refund or refunds is passed through directly to other ratepayers, the portion of such refund or refunds attributable to applicable wholesale customers shall be passed through to such customers as a credit to bills, and the Utility shall not record such refund in this account. Cash refunds associated with purchases of coal, oil, or nuclear fuel shall be recorded as a credit to the appropriate inventory account.
- (d) A debit entry, if positive (credit entry, if negative), for interest is to be computed at an average prime rate for each calendar quarter. The applicable average prime rate for each calendar quarter shall be the arithmetic mean, to the nearest one-hundredth of one percent, of the prime rate values published in the Federal Reserve Bulletin, or in the Federal Reserve's "Selected Interest Rates" (Statistical Release G. 13) or the successors thereto, for the fourth, third, and second months preceeding the first month of the calendar quarter. The preceeding interest calculation is the same as the FERC refund rate calculation specified in Title 18 Conservation of Power Water Resources, Chapter 1, paragraph 35.19a subparagraph 2(iii)(A). If the FERC should modify this section of Title 18, then the interest calculation in this fuel cost adjustment provision shall be modified accordingly.

The interest rate will then be applied to the average of the balance in this account at the beginning of the month and the balance in this account after entries (a), (b), and (c) above.

- (e) Items (a) (1), (4) and (5), and item (c), above in any month shall be determined by multiplying the Utility's total expense or revenue associated with such items by the ratio of applicable jurisdictional energy sales to total system sales***, and further multiplying by 0.959 to reflect the estimated difference between system and jurisdictional losses.

APPENDIX B

Relay Settings for Automatic Load Shedding and Underfrequency Protective Relaying

1. Pacific Gas and Electric Company Underfrequency Load Shedding and Tie Tripping Schedule

	<u>Frequency Hz</u>	<u>Time Delay Cycles</u>	<u>Frequency Hz</u>	<u>Reclosing</u>	<u>Applicable Footnotes</u>
A-18 Interruptible Customers	59.75	6	Manual	(g)	(a)(c)(g)
1st 5% Block of Load	59.10	6	59.90	Automatic	(a)(b)(d)
2nd 5% Block of Load	59.10	6	59.85	Automatic	(a)(b)(d)
3rd 5% Block of Load	58.90	6	59.80	Automatic	(a)(b)(d)
4th 5% Block of Load	58.90	6	59.70	Automatic	(a)(b)(d)
5th 5% Block of Load	58.70	6	59.65	Automatic	(a)(b)(d)
6th 5% Block of Load	58.70	6	59.60	Automatic	(a)(b)(d)
7th 5% Block of Load	58.50	6	59.55	Automatic	(a)(b)
8th 5% Block of Load	58.50	6	59.50	Automatic	(a)(b)
9th 5% Block of Load	58.30	20	59.40	Automatic	(e)(d)
10th 5% Block of Load	58.30	26	59.40	Automatic	(e)(d)
Round Mountain Tie Lines	58.20	60	Manual	By System Dispatcher	(a)
Midway Tie Lines	58.20	6	Manual	By System Dispatcher	(a)
Separate Thermal Plants	55.00	30 cycles		Manual	(f)
	57.00	1 minute			
	58.00	3 minutes			

- (f) If this fuel cost adjustment provision is amended or superseded in whole or in part by a successor fuel cost adjustment provision, any balance in the Electric Energy Cost Adjustment Account - FERC at the time such successor fuel cost adjustment provision becomes effective shall be carried forward and fully amortized as specified in such successor fuel cost adjustment provision.

*Excluding fuel receipts in payment for electric service.

**Starting the first full month that Diablo Canyon Nuclear Unit I and/or II is includable in Base Rates a full year of nuclear fuel volume will be reflected in the Record Period and the other sources of fuel, where applicable will be adjusted accordingly.

***Excluding sales in the Record Period associated with inter-system transactions based on incremental or replacement energy cost, California Department of Water Resources sales and sales in the Record Period for which payment is made in fuel.

2. Underfrequency Protective Relaying for NCPA Units:

<u>Maximum Tripping Frequency</u>	<u>Minimum Relay Tripping Time Delay</u>
58.0 Hertz	3 minutes
57.0 Hertz	1 minutes
55.0 Hertz	$\frac{1}{2}$ second

Footnotes

- (a) Digital frequency relay required.
- (b) Set by California Power Pool Board of Control.
- (c) Requires a communication circuit to the Switching Center.
(Current is used for alarm only.)
- (d) Reclosing will be automatic when automatic reclosing of switches is provided and load is tripped by relay. At attended stations when underfrequency relay trip circuits are not equipped for automatic reclosing, the substation operator will manually reclose the circuits when the frequency returns to the reset frequency.
- (e) Deep Load Shedding--requires two frequency relays for installation. Also, to be equipped with manual load shedding control switch which will cut out the automatic reclosing feature (Design Standard 462044). Manual reclosing will be upon approval of the System Dispatcher.
- (f) A three set point digital frequency relay with external time delay is used for separation of thermal plants.
- (g) Upon restoration of normal system frequency with the approval of the System Dispatcher.

APPENDIX C

Continuing Arrangements from NCPA Retail Contracts

As an accommodation to NCPA and NCPA Member Customers, the following arrangements have been carried over from the NCPA cities resale contracts and are herein subject to the terms and conditions of this Interconnection Agreement between Pacific and NCPA:

1. City of Alameda - Pacific and NCPA recognize that the letters of agreement, dated November 4, 1982 and November 24, 1983 between J. M. Stearns of Pacific and J. R. Shepard of the City of Alameda correctly define the division of Cost responsibilities regarding the City's 115 kV upgrade from the City of Alameda to Pacific's Stations "C" and "J".
2. City of Lodi - Pacific shall as an accommodation, deliver to NCPA electric power to the city of Lodi's:
 - (a) Pumping Plant No. 10, located one-half mile east of Wells Lane and one-half mile north of Victor Road (near Guild Winery),

(b) Pumping Plant No. 11, located on the east side of the right of way of Central California Traction Company between Victor Road and East Pine Street,

(d) White Slough Sewage Treatment Plant located one-half mile west of Thornton Road, approximately three miles south of Highway 12, outside the continuous corporate limits of the City.

Electric power so delivered shall be metered and the quantities of electric power so measured shall be adjusted to backbone in accordance with Appendix A. These facilities shall be considered NCPA Delivery Points and to the extent necessary for NCPA to operate in accordance with Appendix A and in accordance with "NCPA Operating Procedures Under Real-Time Scheduling", NCPA shall meter and schedule for load at such Delivery Points on a real-time basis.

3. City of Palo Alto - Except to the extent that NCPA requests changes in delivery conditions at Palo Alto, pursuant to Section 6.6, Pacific agrees to make changes and additions to Pacific's transmission system, at Pacific's expense, which shall provide transmission, including that transmission provided for Western deliveries, from Pacific's Ravenwood Substation to Palo Alto's 115 kV substation at 115 kV up to approximately 500 MW.

4. City of Ukiah - Pacific shall deliver to City of Ukiah electricity for City's use in the operation of City's sewage pumping plant located outside the continuous corporate limits of the City, approximately 4,000 feet south of the Ukiah Airport and east of the Northwestern Pacific Railroad right of way, and such electricity shall be delivered and metered and the quantities so measured shall be adjusted to backbone in accordance with Appendix A. This facility shall be considered an NCPA Delivery Point and to the extent necessary for NCPA to operate in accordance with Appendix A and in accordance with "NCPA Operating Procedures Under Real-Time scheduling", NCPA shall meter and schedule for load at such Delivery Point on a real-time basis.

APPENDIX D

Metering Specifics

Delivery Meters

For accounting purposes, all electric power delivered hereunder shall be at the Delivery Points specified in Appendix A, but for convenience of the Parties may be metered at such locations on NCPA's side of the Delivery Points as may be mutually agreed upon and adjusted for line and transformer losses, if any, to the Delivery Points. Unless otherwise agreed Pacific shall provide all equipment for metering electric power delivered hereunder, except for such metering equipment provided by Western, and NCPA shall provide and maintain, at its expense, all facilities required to accommodate Pacific's metering equipment and to receive electric power at said Delivery Points and to utilize same beyond that point.

Station Meters

NCPA shall provide and install "in" and "out" station meters for the measurement of the amounts of power both real and reactive on each NCPA Project for purposes including but not limited to billing and payment. Unless otherwise agreed, all metering shall

be at transmission voltages at Pacific's Interconnection with an NCPA Project. Such station meters shall be designed to prevent reverse registration and to continuously measure and record deliveries of kilowatts (integrated monthly thirty-minute intervals), kilowatt hours, kilovars and kilovar hours.

NCPA shall be responsible for making arrangements to read all meters on the last day of each billing period and at such other times as may be required to carry out the provisions of this contract.

Meter Testing and Meter Errors

All meters shall be installed, tested, and maintained in accordance with Good Utility Practice and shall be tested periodically, at intervals of not less than once each year, and at any other reasonable time upon request by Pacific or NCPA.

Meters shall be sealed and the seals shall be broken only upon occasions when the meters are to be inspected, tested, or adjusted, and representatives of both Parties shall be afforded reasonable opportunity to be present upon such occasions.

Any metering equipment found to be defective or inaccurate shall be immediately repaired or readjusted or replaced. In such case, the energy delivered shall be estimated jointly by NCPA and Pacific from the best information available for such period of

failure, and for billing purposes. If any meter test as made by such Parties discloses that the error of a meter exceeds two percent, correction based upon the inaccuracy found, shall be made on the records or electric capacity and energy delivered since the meter test immediately preceding the test in which such error was found; provided, that no correction shall be made for a longer period than such inaccuracy may be determined by the Parties to have existed. Any correction in billing resulting from such correction in meter records shall be made in the next regular transaction hereunder and such correction when made shall constitute full adjustment of any claim between such Parties arising out of such inaccuracy of such meter.

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1 This LA is expressly subject to the following
2 conditions precedent:

3 1. The undersigned parties recognize that this
4 LA is but one element of a comprehensive, privileged
5 settlement package proposal in which Pacific and NCPA intend
6 to resolve their remaining differences with respect to an
7 Interconnection Agreement. Each element of the settlement
8 package proposal is interrelated with every other such
9 element, and is in consideration for every other such
10 element. Therefore, the undersigned parties agree that this
11 LA shall be null and void, and of no force or effect if, for
12 any reason whatsoever, any of the following events occur:

13 (a) Either Pacific or NCPA fails to implement within a
14 reasonable time thereafter the agreed settlement
15 package;

16 (b) NCPA, any NCPA Member Customer or any other NCPA
17 member whose approval is required in order for
18 NCPA to be legally authorized to execute the
19 Interconnection Agreement fails to execute the
20 Agreement on or before July 11, 1983; or

21 (c) The Interconnection Agreement fails to become
22 effective in accordance with its terms after
23 filing with the FERC.

24 2. The undersigned parties agree that in order
25 to fully implement this LA, Contract No. 14-06-200-2948A,
26 between The United States of America and Pacific must be

1 amended. The United States of America, acting by and
2 through Western, and Pacific hereby agree to amend said
3 contract to the extent necessary to implement this LA in
4 accordance with the form attached hereto as Exhibit 2. The
5 undersigned parties agree to support acceptance of the
6 amendment without change or condition by any regulatory
7 agency having jurisdiction over said contract or the
8 amendment. This LA shall be null and void, and of no force
9 or effect if, for any reason whatsoever, such amendment is
10 not executed or, under applicable regulatory procedures,
11 does not become effective without change or condition within
12 18 months after the Effective Date of the Interconnection
13 Agreement.

14 The undersigned parties recognize that this LA,
15 the settlement package proposal and the Interconnection
16 Agreement which may result therefrom are, for a variety of
17 reasons, unique and are in the nature of settlement
18 agreements and that they shall not serve as precedents for
19 any future negotiations or agreements between the parties or
20 between a party and another person or entity.

21 The undersigned parties recognize that this LA is
22 itself a settlement and compromise and its existence, and
23 the existence of its terms and conditions constitute
24 evidence of no fact or circumstances save only the fact of
25 compromise and settlement.

26 The undersigned parties agree that the settlement

1 package proposal and this LA are and will remain privileged
2 to the extent permitted by law unless and until an Intercon-
3 nection Agreement is filed with the FERC.

4 The undersigned parties agree that this LA is an
5 express written agreement satisfying the requirement of the
6 proposed amendment to Contract 2948A attached as Exhibit 2.

7 The signatories below represent and warrant that
8 they are fully authorized to execute this LA on behalf of
9 the party indicated.

10
11 AGREED TO AND ACCEPTED BY:

12 United States of America
13 Western Area Power Administration

14 By _____ [attest]
15 Authorized Representative

16 Northern California Power Agency
17

18 By _____ [attest]
19 Robert E. Grimshaw, as
20 General Manager

21 Pacific Gas and Electric Company
22

23 By _____ [attest]
24 Nolan H. Daines, Vice President,
25 Planning and Research
26

EXHIBIT 1

NCPA OPERATING PROCEDURES UNDER REAL-TIME SCHEDULING

The following lists the principles under which Northern California Power Agency (NCPA) agrees to real-time schedule. NCPA, Western Area Power Agency (Western) and Pacific Gas and Electric Company (Pacific) agree to begin operation under these principles no later than 18 months after the Effective Date of the NCPA-Pacific Interconnection Agreement.

1. NCPA shall schedule all transactions (purchases and sales) on a one-hour basis (as used herein an hour shall mean a clock hour). This schedule in preliminary form will be provided to Pacific by 2:00 p.m. the day prior to its intended utilization. For changes in NCPA's load, NCPA may have the opportunity to change its schedules pursuant to Section 7.2. Western deliveries shall be included in the following scheduled transactions.

(a) Changes in this schedule shall be transmitted to Pacific dispatchers at least ten minutes before the hour or half hour in which the schedule is to become effective. All procedures for transmitting and effectuating such changes in schedule shall be mutually agreed upon.

///

1 (b) Prior to the earlier of May 1, 1989 or the commercial
2 operation date of an NCPA Unit with a Capacity Rating
3 of at least 50 megawatts which is capable of following
4 NCPA's load, NCPA shall have the opportunity, in
5 addition to schedule changes pursuant to (a) above, to
6 change half hourly schedules one time during the half
7 hour for the remainder of the half hour pursuant to the
8 procedures specified in (a) above. Western schedules
9 may be changed during this period one time during the
10 half hour for the remainder of the half hour upon
11 notice.

12 (c) Schedule changes shall be transmitted by telecopy from
13 the NCPA dispatch center to Pacific's San Francisco
14 dispatch center unless otherwise agreed.

15 In addition to the above hourly schedule, NCPA
16 shall also provide Pacific with the following estimates
17 five days prior to the beginning of each month:

18 (i) Monthly Mwh generation for each NCPA Unit or NCPA
19 Project.

20 (ii) Maximum and minimum loading for each NCPA Unit or
21 NCPA Project.

22 (iii) Overall operation strategy regarding the operation
23 of each NCPA resource.

24 2. Prior to 18 months after the Effective Date
25 of the Interconnection Agreement, Pacific and NCPA shall
26 agree on an acceptable energy deviation band between

1 scheduled flow and metered flow of energy in any half-hour
2 period. The magnitude of such a deviation band shall be
3 based on NCPA's ability to follow load but shall not
4 substantially differ from west coast utilities operating
5 procedures. Any such energy deviation within this band
6 shall be adjusted by the NCPA schedulers to eliminate any
7 energy deviation within the next hourly like load period or
8 as soon as possible thereafter during like load periods
9 (on-peak off-peak, as defined in Appendix A). Any residual
10 deviations within the band that cannot be adjusted as
11 described above during the month shall be carried forward
12 and adjustments made as soon as possible in the following
13 month during like load periods. Any positive energy
14 deviation in any half hour period outside the agreed-upon
15 band shall be considered inadvertent flow to the Pacific
16 system. Any negative deviation in any half hour period
17 outside the agreed-upon band shall be considered Partial
18 Requirements Power sold by Pacific to NCPA. No capacity
19 shall be associated with this energy deviation band.

20 3. NCPA shall provide Pacific with the following
21 information within five days after the last day of the
22 month.

- 23 (a) Monthly reports of actual schedules of all
24 transactions;
25 (b) Monthly reports of all data necessary to calculate
26 payments;

1 (c) Monthly reports of like hour energy deviation
2 adjustments;

3 (d) Report on residual energy deviations which NCPA
4 was unable to reschedule in like load periods
5 during that billing month;

6 (e) A record of all communications where requested by
7 Pacific between NCPA and Pacific dispatchers,
8 either voice or electronic, as needed for
9 resolution of disputes.

10 4. The above schedules shall be used in the
11 determination of billing Demand, Partial Requirements Power
12 Energy, Spinning Reserves, Maintenance Power, Short-Term
13 Firm Power, Curtailment Power and Emergency Power and other
14 services NCPA may purchase from Pacific. Such schedules
15 shall be subject to meter verification.

16 5. NCPA's scheduling of power deliveries for its
17 cities from Western will be as follows:

18 (a) Prior to the beginning of each month, NCPA and
19 Western shall agree on a maximum coincident rate
20 of delivery for Western power. Such maximum rate
21 of delivery shall be determined based upon the
22 forecasted monthly peak of each Member Customer,
23 its Contract Rate of Delivery (CRD) and
24 agreed-upon coincidence factors.

25 (b) Additionally, NCPA and Western will agree upon a
26 fixed amount of energy to be made available by

- 1 Western for scheduling by NCPA. This amount of
2 energy shall be based upon the forecasts of month-
3 ly peaks, total energy requirements, and CRD's.
- 4 (c) NCPA shall schedule its delivery of power from
5 Western based upon (a) and (b) above. NCPA and
6 Western shall agree upon a minimum amount of
7 energy that must be scheduled by NCPA in any hour.
- 8 (d) Western will continue to bill individual NCPA
9 Member Customers on the same basis it presently
10 utilizes.
- 11 (e) If at the end of any month the total amount of
12 energy for which Western bills the NCPA Member
13 Customers is different from the total energy
14 scheduled by NCPA, then such difference shall be
15 added or subtracted from the amount of energy
16 available to the NCPA for scheduling in the month
17 following the identifications of such deviation.
18 Monthly billing between Pacific and Western and
19 between Pacific and NCPA will be based on
20 scheduled amounts of energy.
- 21 (f) Real-time scheduling would be deferred for any
22 NCPA Member Customers which are full requirements
23 customers of Western only until that NCPA Member
24 Customer begins to take any service under the NCPA
25 contract. Such an NCPA Member Customer would
26 begin real-time scheduling of all power, including

1 Western power, upon the occurrence of the earliest
2 of the following events:

- 3 (1) on the date that NCPA Member Customer is
4 forecasted by NCPA to exceed its Western
5 allocation;
6 (2) on the first day of the calendar month
7 following the month in which such NCPA Member
8 Customer actually exceeds its Western
9 allocation or takes any electrical services
10 from any person or entity, including Pacific,
11 other than Western;
12 (3) On the date upon which, at the Member
13 Customer's option it begins scheduling its
14 Western allocation on a real-time basis prior
15 to the occurrence of the earlier of
16 (1) or (2).

17 When an NCPA Member Customer exceeds its Western
18 allocation pursuant to (2) above, the amount of
19 capacity and energy by which that NCPA Member
20 Customer exceeded its Western allocation shall be
21 deemed to have been sold to NCPA by Pacific at the
22 rates listed in Schedule A of Appendix A for
23 Partial Requirements Power service. The amount of
24 capacity sold to NCPA by Pacific due to an NCPA
25 Member Customer's exceeding its Western allocation
26 shall not be used in determining a new contract

1 demand pursuant to Paragraph VII.1.1.1 of
2 Appendix A. This procedure shall be used only in
3 the one month that such NCPA Member Customer
4 exceeds its Western allocation pursuant to (2)
5 above. Thereafter that NCPA Member Customer's
6 half-hourly loads shall be added to NCPA's half
7 hourly load in determining all charges pursuant to
8 the Appendix A.

9 All other NCPA Member Customers' loads would
10 be scheduled by NCPA on a real-time basis not
11 later than 18 months after the Effective Date of
12 the Interconnection Agreement, pursuant to
13 Western's determination of the amount of energy
14 available to NCPA and a maximum CRD.

15 (g) Once an NCPA Member Customer begins to schedule on
16 a real time basis, it shall continue to do so, and
17 may not operate other than on a real time basis
18 thereafter.

EXHIBIT 2

AMENDMENT TO ARTICLE 14(c)(2)(i) OF CONTRACT 2948A
TO ALLOW FOR REAL-TIME SCHEDULING

(i) The United States shall serve each such Customer either

(a) at a rate up to but not exceeding such Customer's then effective contract rate of delivery and unless otherwise agreed among the Contracting Officer, Contractor and such Customer, shall supply that portion of the total energy delivery to such Customer during any month which is equal to the total energy delivery to such Customer from all sources multiplied by the proportion between such Customer's then effective contract rate of delivery and such Customer's maximum Demand during that month; or

(b) in the case of Customers who have utility obligations to retail customers, by an express written agreement among the Contracting Officer, Contractor, and such Customer, at a pre-determined schedule rate up to but not exceeding such Customer's then effective contract rate of delivery, and shall, at least five days prior to the beginning of every calendar month, indicate the maximum amount of energy to be scheduled to

1 the Customer in the next month. Such scheduled
2 energy shall not differ from that amount of energy
3 which would otherwise have been delivered to such
4 Customer under (a) above and the agreement
5 providing for such scheduling shall specify
6 scheduling adjustments to assure that such energy
7 limit is not exceeded unless otherwise agreed.
8 The agreement providing for such predetermined
9 scheduling shall also set forth the power
10 accounting mechanism, the term of the agreement,
11 and other appropriate terms and conditions for the
12 sale of the United States' and Contractor's
13 capacity and energy to the Customer.

APPENDIX F

NCPA's Responsibility to Construct, or Cause to be Constructed, a Third 230 kV Transmission Line out of The Geysers

In accordance with Paragraph 6.2.7c of the Interconnection Agreement, NCPA shall meet the following schedule for constructing, or causing to be constructed, 230 kV transmission line out of The Geysers.

<u>Benchmark</u>	<u>Date</u>
1. File Complete License Application	March 1, 1984
2. Obtain Construction Approval	July 1, 1986
3. Complete Construction	January 1, 1990

If NCPA fully completes each Benchmark no later than the date shown, Pacific will transmit the generation dedicated to NCPA Member Customers from NCPA's Geothermal Project Shell No. 3, and determine capacity credit for that project in the same manner as provided for NCPA Initial Project pursuant to Paragraph 6.2.7b of the Agreement.

If NCPA fails to fully complete any one of these benchmarks by the date specified, subject only to Section 9.8, Pacific shall not be obligated or required to provide any Firm Transmission Service for NCPA's Geothermal Project Shell No. 3. Transmission service for such project shall be provided only as Interruptible Transmission Service pursuant to Section 6.3.